

BEFORE THE
CITIZENS' FINANCIAL ACCOUNTABILITY
OVERSIGHT COMMITTEE
ORGANIZED PURSUANT TO THE
CALIFORNIA STEM CELL RESEARCH AND CURES ACT
REGULAR MEETING

LOCATION: 300 S. SPRING STREET
1ST FLOOR AUDITORIUM
LOS ANGELES, CALIFORNIA

DATE: TUESDAY, JANUARY 26, 2010
10:40 A.M.

REPORTER: BETH C. DRAIN, CSR
CSR. NO. 7152

BRS FILE NO.: 86546

BARRISTERS' REPORTING SERVICE

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PUBLIC COMMENT	NONE
BOARD MEMBER TIME	NONE

BARRISTERS' REPORTING SERVICE

1 LOS ANGELES CALIFORNIA; TUESDAY, JANUARY 26, 2010

2 10:40 A.M.

3
4 CHAIRMAN CHIANG: MY NAME IS JOHN CHIANG.
5 I'M THE CHAIR OF THE CITIZENS FINANCIAL
6 ACCOUNTABILITY OVERSIGHT COMMITTEE. LET ME BEGIN BY
7 STATING THAT MEMBERS OF THE PUBLIC WILL BE INVITED
8 TO PROVIDE TESTIMONY AFTER EACH ITEM. GIVEN THAT
9 OPPORTUNITY, YOU HAVE UP TO THREE MINUTES TO MAKE
10 PUBLIC COMMENT. AND AS A COURTESY TO ALL, PLEASE
11 TURN OFF YOUR CELL PHONES.

12 LET ME BEGIN BY ASKING EVERYBODY TO STATE
13 THE PLEDGE OF ALLEGIANCE. LET'S ALL RISE AND FACE
14 THE FLAG.

15 (THE PLEDGE OF ALLEGIANCE.)

16 CHAIRMAN CHIANG: NEXT I AM VERY PLEASED
17 TO WELCOME DR. HOLLANDER TO THE CFAOC. HE WAS JUST
18 APPOINTED TO THE -- BY THE ICOC CHAIR TO REPLACE
19 MYRTLE POTTER. I DID WANT TO TAKE A MOMENT TO THANK
20 MYRTLE FOR HER WONDERFUL PUBLIC SERVICE TO THE
21 CFAOC.

22 DR. HOLLANDER, IF I COULD ASK YOU TO STAND
23 AND RECITE AFTER ME.

24 (DR. HOLLANDER WAS THEN DULY SWORN IN
25 AS A MEMBER OF THE CFAOC.)

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN CHIANG: CONGRATULATIONS AND
2 WELCOME TO THE BOARD.

3 (APPLAUSE.)

4 CHAIRMAN CHIANG: IF I CAN HAVE RUTH TAKE
5 ROLL CALL, PLEASE.

6 MS. HOLTON-HODSON: JOHN CHIANG.

7 CHAIRMAN CHIANG: MORNING.

8 MS. HOLTON-HODSON: DANIEL BRUNER. HE IS
9 ABSENT.

10 DR. HOLLANDER.

11 DR. HOLLANDER: HERE.

12 MS. HOLTON-HODSON: DR. LAUREN LIPSON.

13 DR. LIPSON: HERE.

14 MS. HOLTON-HODSON: JIM LOTT.

15 MR. LOTT: HERE.

16 MS. HOLTON-HODSON: AND DR. GARBINDER
17 SADANA.

18 DR. SADANA: HERE.

19 CHAIRMAN CHIANG: GOOD MORNING. WE HAVE A
20 QUORUM.

21 LET ME BEGIN BY STATING I WANT TO WELCOME
22 THE MEMBERS OF THE CITIZEN'S FINANCIAL
23 ACCOUNTABILITY OVERSIGHT COMMITTEE FOR BEING WITH US
24 TODAY. I KNOW THESE MEETINGS TAKE TIME OUT OF YOUR
25 BUSY SCHEDULES, AND I APPRECIATE YOUR INTEREST AND

BARRISTERS' REPORTING SERVICE

1 DEDICATION TO PROTECTING CALIFORNIA'S HUGE AND
2 IMPORTANT INVESTMENT IN STEM CELL RESEARCH.

3 WE ARE ALL HERE BECAUSE WE SHARE A STRONG
4 COMMITMENT TO ENSURING THAT THE THREE TO \$6 BILLION
5 PLEDGE FOR STEM CELL RESEARCH FUNDED BY THE
6 HARD-EARNED DOLLARS OF CALIFORNIA TAXPAYERS IS SPENT
7 PROMPTLY, WISELY, AND SUCCESSFULLY. I AM PROUD OF
8 THE ROLE THIS COMMITTEE HAS PLAYED IN PROVIDING THE
9 NECESSARY OVERSIGHT ON THIS IMPORTANT INVESTMENT. I
10 AM ALSO PROUD OF THE STEPS WE HAVE TAKEN TO
11 DEMONSTRATE TRANSPARENCY IN THIS AREA OF STATE
12 GOVERNMENT, AND I HOPE WE CAN IMPROVE UPON THESE
13 MEASURES SOON.

14 CALIFORNIANS DESERVE TO KNOW THE FULL
15 STORY WHEN THEIR TAX DOLLARS ARE USED, PARTICULARLY
16 WHEN THESE DOLLARS ARE INVESTED OUTSIDE THE STATE OR
17 EVEN OUTSIDE THIS COUNTRY TO ADVANCE THIS VERY
18 IMPORTANT RESEARCH.

19 NOW, WE MEET TODAY MORE THAN FIVE YEARS
20 AFTER THE VOTERS' PASSAGE OF PROPOSITION 71 FACING
21 SOME VERY IMPORTANT QUESTIONS ABOUT THIS UNIQUE AND
22 FAR-REACHING PROGRAM. WHAT HAVE WE LEARNED AT THIS
23 STAGE OF THE INSTITUTE'S DEVELOPMENT? HOW CAN OUR
24 DOLLARS BE BETTER SPENT? AND WHAT STEPS SHOULD BE
25 TAKEN TO PLAN FOR THE PROGRAM'S FUTURE? MY

BARRISTERS' REPORTING SERVICE

1 COLLEAGUES AND I ARE LOOKING FORWARD TO HEARING
2 RECOMMENDATIONS FROM MANY STAKEHOLDERS, INCLUDING
3 THE LITTLE HOOVER COMMISSION, ON THESE ISSUES. AND
4 THANK YOU MOST IMPORTANTLY FOR BEING HERE, AND I
5 WELCOME ANY INTRODUCTORY REMARKS BY ANY OF THE
6 COMMITTEE MEMBERS.

7 WOULD ANYBODY LIKE TO MAKE A COMMENT?
8 VERY GOOD.

9 THEN THE NEXT ITEM IS APPROVAL OF THE
10 TRANSCRIPT AS MINUTES FROM THE APRIL 14, 2009,
11 MEETING. ARE THERE ANY COMMENTS, QUESTIONS?

12 MR. LOTT: MOVE APPROVAL, MR. CHAIR.

13 CHAIRMAN CHIANG: THANK YOU. WE HAVE A
14 MOTION BY MR. LOTT TO MOVE APPROVAL. IS THERE A
15 SECOND?

16 DR. LIPSON: SECOND.

17 CHAIRMAN CHIANG: THERE'S A SECOND BY DR.
18 LIPSON. IS THERE OBJECTION? WITHOUT OBJECTION,
19 MOTION PASSES.

20 THE NEXT ITEM IS THE REPORT FOR THE
21 INDEPENDENT FINANCIAL REPORT, FINANCIAL AUDIT. IS
22 THERE SOMEBODY GOING TO BE SPEAKING ON THIS ITEM?

23 MS. HOLTON-HODSON: YES. THE MGO, MACIAS,
24 HAS A REPRESENTATIVE WHO'S SPEAKING ON THE AUDIT.

25 CHAIRMAN CHIANG: OKAY.

BARRISTERS' REPORTING SERVICE

1 MS. HOLTON-HODSON: RIGHT DOWN HERE. IT'S
2 EASIER. THEN YOU CAN LOOK STRAIGHT AT US. IF IT'S
3 EASIER, SIR, IF YOU WANT TO GO UP THERE, THAT'S
4 FINE.

5 MR. LIVINGSTON: THAT'S FINE. HERE IS
6 GOOD.

7 MS. HOLTON-HODSON: YOU CAN STAND RIGHT IN
8 FRONT OF US IF YOU LIKE.

9 CHAIRMAN CHIANG: THAT'S OUR PODIUM.

10 MS. HOLTON-HODSON: UNFORTUNATELY THAT'S
11 OUR PODIUM.

12 MS. KING: THE PODIUM, BUT FROM WHAT I
13 UNDERSTAND, ONE OF THE MOST IMPORTANT THINGS, SO
14 THAT WE HAVE AN ACCURATE TRANSCRIPT, IS THAT YOU
15 SPEAK INTO A MICROPHONE. SO YOU CAN EITHER DO THE
16 THUMB STYLE OR YOU CAN GO TO THE PODIUM.

17 MR. LIVINGSTON: I THINK I'LL GO TO THE
18 PODIUM.

19 MS. HOLTON-HODSON: AND SPEAK TO THE MIC.

20 MR. LIVINGSTON: OKAY. GOOD MORNING. I'M
21 A REPRESENTATIVE FROM MACIAS, GINI, & O'CONNELL, THE
22 AUDIT FIRM THAT AUDITS CIRM.

23 UNDER PROFESSIONAL STANDARDS --

24 CHAIRMAN CHIANG: EXCUSE ME. CAN YOU
25 INTRODUCE YOURSELF FOR THE RECORD, PLEASE?

BARRISTERS' REPORTING SERVICE

1 MR. LIVINGSTON: YES. I'M SORRY. DAVID
2 LIVINGSTON. I'M A DIRECTOR IN THE LOS ANGELES
3 OFFICE.

4 UNDER PROFESSIONAL AUDIT STANDARDS, WE AS
5 YOUR AUDITORS ARE REQUIRED TO PRESENT CERTAIN
6 INFORMATION TO THOSE IN CHARGE OF GOVERNANCE.
7 SPECIFICALLY IT'S SAS 114. I'M GOING TO GO OVER
8 THESE SPECIFIC ITEMS WITH YOU; AND IF YOU HAVE ANY
9 QUESTIONS, BY ALL MEANS LET ME KNOW.

10 THE FIRST ITEM IS OUR RESPONSIBILITY UNDER
11 U.S. GOVERNMENTAL AUDITING STANDARDS AND GENERALLY
12 ACCEPTED AUDITING STANDARDS. AS STATED IN OUR
13 ENGAGEMENT LETTER ON MAY 19, 2009, OUR
14 RESPONSIBILITIES DESCRIBED BY PROFESSIONAL STANDARDS
15 IS TO EXPRESS OPINIONS ABOUT THE FINANCIAL
16 STATEMENTS PREPARED BY MANAGEMENT WITH YOUR
17 OVERSIGHT AND TO DETERMINE THAT THEY ARE FAIRLY
18 PRESENTED IN ALL MATERIAL RESPECTS.

19 AS PART OF OUR AUDIT, WE CONSIDERED THE
20 INTERNAL CONTROLS. SUCH CONSIDERATION OF THE
21 INTERNAL CONTROLS WAS BASED SOLELY TO DETERMINE OUR
22 AUDITING PROCEDURES AND NOT TO PROVIDE AN OPINION ON
23 THE INTERNAL CONTROLS.

24 THE PLANNED SCOPE AND TIMING OF AUDIT. WE
25 PERFORMED THE AUDIT IN ACCORDANCE WITH OUR

BARRISTERS' REPORTING SERVICE

1 ENGAGEMENT LETTER THAT WE PROVIDED TO MANAGEMENT ON
2 MAY 19, 2009.

3 SIGNIFICANT AUDIT FINDINGS, THE
4 QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES.
5 MANAGEMENT OF CIRM IS RESPONSIBLE FOR THE SELECTION
6 AND USE OF APPROPRIATE ACCOUNTING POLICIES. IN
7 ACCORDANCE WITH THE TERMS OF OUR ENGAGEMENT LETTER,
8 WE WILL ADVISE MANAGEMENT ABOUT THE APPROPRIATENESS
9 OF ACCOUNTING POLICIES AND THEIR APPLICATION. THE
10 SIGNIFICANT ACCOUNTING POLICIES IN THE FINANCIAL
11 STATEMENTS ARE DESCRIBED IN NOTE 2. THERE WERE NO
12 NEW ACCOUNTING POLICIES OR PROCEDURES IMPLEMENTED
13 DURING FISCAL YEAR ENDED JUNE 30, 2009. WE NOTED NO
14 TRANSACTIONS ENTERED INTO BY CIRM DURING THE YEAR
15 FOR WHICH THERE WAS ANY SORT OF LACK OF
16 AUTHORITY GUIDANCE OR CONSENSUS. THERE ARE NO
17 SIGNIFICANT TRANSACTIONS THAT HAVE BEEN RECOGNIZED
18 IN THE FINANCIAL STATEMENT IN A DIFFERENT PERIOD
19 THAN WHEN THE TRANSACTION OCCURRED.

20 ACCOUNTING ESTIMATES ARE AN INTEGRAL PART
21 OF THE FINANCIAL STATEMENTS PREPARED BY MANAGEMENT
22 AND ARE BASED ON MANAGEMENT'S KNOWLEDGE AND
23 EXPERIENCE ABOUT PAST AND CURRENT EVENTS AND
24 ASSUMPTIONS ABOUT FUTURE EVENTS. CERTAIN ACCOUNTING
25 ESTIMATES ARE PARTICULARLY CONSIDERED BECAUSE OF

BARRISTERS' REPORTING SERVICE

1 THEIR SIGNIFICANCE TO THE FINANCIAL STATEMENTS AND
2 BECAUSE OF THE POSSIBILITY THAT FUTURE EVENTS
3 AFFECTING THEM MAY DIFFER SIGNIFICANTLY FROM THOSE
4 EXPECTED. THERE WERE NO SIGNIFICANT OR SENSITIVE
5 ESTIMATES IN THE FINANCIAL STATEMENTS FOR THE PERIOD
6 JUNE 30, 2009.

7 WE ENCOUNTERED NO SIGNIFICANT DIFFICULTY
8 IN DEALING WITH MANAGEMENT IN PERFORMING AND
9 COMPLETING THE AUDIT.

10 PROFESSIONAL STANDARDS REQUIRE US TO
11 DISCUSS WITH YOU ANY CORRECTED OR UNCORRECTED
12 MISSTATEMENTS IN THE FINANCIAL STATEMENTS THAT WE
13 FOUND DURING OUR AUDIT. WE FOUND NO MATERIAL
14 MISSTATEMENTS. ANY THAT WERE NOTED WERE CORRECTED
15 BY MANAGEMENT.

16 PROFESSIONAL STANDARDS REQUIRE THAT WE
17 DISCLOSE TO YOU ANY DISAGREEMENTS WITH MANAGEMENT IN
18 AS FAR AS APPLICATION OF ACCOUNTING POLICIES AND/OR
19 PROCEDURES AND PRONOUNCEMENTS. THERE WERE NO
20 DISAGREEMENTS WITH MANAGEMENT ON THE APPLICATION OF
21 ANY OF THOSE PRONOUNCEMENTS AND/OR PRINCIPLES AND
22 POLICIES.

23 WE REQUIRED CERTAIN REPRESENTATIONS OF
24 MANAGEMENT DATED OCTOBER 30, 2009. MANAGEMENT
25 REPRESENTS TO US CERTAIN THINGS AS IT RELATES TO THE

BARRISTERS' REPORTING SERVICE

1 FINANCIAL STATEMENTS AND WHAT'S CONTAINED IN THE
2 FINANCIAL STATEMENTS AND THOSE NOTED DISCLOSURES.

3 PROFESSIONAL STANDARDS ALSO REQUIRE THAT
4 WE COMMUNICATE TO YOU WHETHER OR NOT MANAGEMENT HAS
5 CONSULTED WITH OTHER INDEPENDENT ACCOUNTANTS ON
6 ISSUES THAT MAY HAVE ARISEN DURING THE AUDIT. IT'S
7 ESSENTIALLY LOOKING FOR SECOND OPINION. IT'S OUR
8 UNDERSTANDING THAT NONE OF THOSE COMMUNICATIONS WITH
9 ANY SECOND OR OTHER OUTSIDE CONSULTANTS OCCURRED
10 DURING THE YEAR.

11 WE GENERALLY DISCUSS A VARIETY OF MATTERS
12 INCLUDING THE APPLICATION OF ACCOUNTING PRINCIPLES
13 AND AUDITING STANDARDS WITH MANAGEMENT EACH YEAR
14 PRIOR TO RETENTION AS CIRM'S AUDITORS. HOWEVER,
15 THESE DISCUSSIONS OCCURRED IN THE NORMAL COURSE OF
16 OUR PROFESSIONAL RELATIONSHIP AND WERE NOT A
17 CONDITION OF OUR ENGAGEMENT WITH THE ORGANIZATION.

18 IF THERE ARE ANY FURTHER QUESTIONS, THOSE
19 ARE THE REQUIREMENTS UNDER PROFESSIONAL STANDARDS.

20 CHAIRMAN CHIANG: VERY GOOD. THANK YOU.
21 WITH THIS AUDIT, WE'VE CAUGHT UP AND THEN DECEMBER
22 WE'LL GET TO REVIEW THE CURRENT FISCAL OR THE PAST
23 FISCAL YEAR'S AUDIT. SO WE'VE MADE SIGNIFICANT
24 PROGRESS ON THIS FRONT.

25 WITH THAT BEING SAID, DO ANY OF MY

BARRISTERS' REPORTING SERVICE

1 COLLEAGUES HAVE ANY QUESTIONS OR COMMENTS REGARDING
2 THE AUDIT?

3 OKAY. VERY GOOD. THANK YOU VERY MUCH.

4 LET'S HEAR FROM THE CIRM STAFF OR ACTUALLY
5 LET'S HEAR FROM CAROLINE BAEZ FROM MY STAFF ON
6 REVIEW OF THE FINANCIAL AUDIT.

7 MS. KING: IF I COULD TROUBLE YOU TO
8 PLEASE JUST SAY YOUR NAME FOR THE TRANSCRIPT, THAT
9 WOULD BE GREAT. THANK YOU.

10 MS. BAEZ: GOOD MORNING. I'M CAROLINE
11 BAEZ, AND I'M MANAGER WITH THE STATE CONTROLLER'S
12 OFFICE FINANCIAL AUDIT BUREAU. AND I'M HERE TO
13 PRESENT THE RESULTS OF OUR REVIEW, OUR QUALITY
14 CONTROL REVIEW, OF MACIAS, GINI & O'CONNELL'S AUDIT
15 OF CIRM FOR FISCAL YEAR 2008-2009.

16 THE HEALTH AND SAFETY CODE SECTION
17 12590.30 REQUIRES THE SCO TO REVIEW THE ANNUAL AUDIT
18 AND TO ISSUE A PUBLIC REPORT OF THAT REVIEW. WE
19 COMPARED THE AUDIT WORK PERFORMED BY THE FIRM AS
20 DOCUMENTED IN THEIR WORKING PAPERS WITH APPLICABLE
21 AUDITING STANDARDS, WHICH INCLUDE GOVERNMENT
22 AUDITING STANDARDS, GENERALLY ACCEPTED AUDITING
23 STANDARDS, AND CALIFORNIA BUSINESS AND PROFESSIONAL
24 CODE REQUIREMENTS.

25 AND WE DETERMINED THAT THE AUDIT WAS

BARRISTERS' REPORTING SERVICE

1 PERFORMED IN ACCORDANCE WITH ALL APPLICABLE AUDITING
2 STANDARDS AND REQUIREMENTS.

3 WE NOTED NO DEFICIENCIES IN OUR REPORT
4 WHICH WAS DATED DECEMBER 7, 2009. ANY QUESTIONS?

5 CHAIRMAN CHIANG: ANY QUESTIONS? THANK
6 YOU, CAROLINE.

7 MS. BAEZ: OKAY. THANK YOU.

8 CHAIRMAN CHIANG: WOULD CIRM LIKE TO MAKE
9 ANY COMMENTS?

10 MR. TORRES: THANK YOU, MR. CONTROLLER AND
11 MEMBERS OF THE COMMITTEE. I WANT TO EXPRESS THE
12 DEEP REGRETS OF CHAIRMAN BOB KLEIN WHO COULD NOT BE
13 HERE TODAY. HE'S IN THE HOSPITAL WITH HIS
14 DAUGHTER --

15 CHAIRMAN CHIANG: IF I COULD INTERJECT.
16 AND WE HAVE THE HONORABLE ART TORRES SPEAKING.

17 MR. TORRES: I'M SORRY. ART TORRES,
18 T-O-R-R-E-S.

19 AND HE WOULD LOVE TO HAVE BEEN HERE, BUT
20 HE'S IN THE HOSPITAL AWAITING THE BIRTH OF HIS FIRST
21 GRANDCHILD, AND I AM HERE IN HIS STEAD.

22 I APPRECIATE THE TIME AND EFFORT THAT EACH
23 OF YOU PUT INTO THIS REVIEW. AND, DR. HOLLANDER,
24 WELCOME TO THE COMMITTEE.

25 DR. HOLLANDER: THANK YOU.

BARRISTERS' REPORTING SERVICE

1 MR. TORRES: PROPOSITION 71 WAS DESIGNED
2 TO AVOID REVENUE IMPACT ON THE GENERAL FUND OF THE
3 STATE. AND BONDS WERE CAPITALIZED THROUGH DECEMBER
4 31, 2009, WHICH MEANT THAT THERE WAS NO COST TO THE
5 GENERAL FUND.

6 NO. 3, ALTHOUGH THE STATE WILL BEGIN TO
7 PAY INTEREST ON THE BONDS UNDER PROP 71 GRANT
8 PROGRAMS, WE HAVE GENERATED SO FAR SUFFICIENT
9 REVENUES TO HOLD THE STATE HARMLESS THROUGH THE
10 FIRST HALF OF 2013. IN FACT, AN ECONOMIC ANALYSIS
11 OF CIRM'S MAJOR FACILITIES PROGRAMS ESTIMATED THAT
12 IT WOULD GENERATE ABOUT A HUNDRED MILLION IN TAX
13 REVENUES THROUGH 2011.

14 IN ADDITION TO THOSE TAX REVENUES, CIRM'S
15 GRANTS HAVE ALSO PRODUCED SIGNIFICANT NONSTATE
16 INVESTMENTS. THE MAJOR FACILITIES PROGRAM GENERATED
17 MORE THAN 800 MILLION IN PRIVATE, INSTITUTIONAL, AND
18 DONOR FUNDS TO LEVERAGE THE REVENUES THAT WE
19 RECEIVED FROM THE SALE OF GO BONDS. AND ALSO
20 RESEARCH COLLABORATIONS WITH OTHER COUNTRIES,
21 INCLUDING THE UK AND CANADA, HAVE TRIGGERED TENS OF
22 MILLIONS OF DOLLARS IN ADDITIONAL RESEARCH FUNDING.

23 AS YOU ALL KNOW, NONE OF THE MONEY
24 GENERATED BY THE GO BONDS CAN BE SPENT OUTSIDE THE
25 STATE. THAT DOESN'T PRECLUDE US FROM HAVING

BARRISTERS' REPORTING SERVICE

1 BI LATERAL AGREEMENTS WITH OTHER COUNTRIES WHO FUND
2 THEIR OWN RESEARCH. AND, THEREFORE, WE GET TOGETHER
3 TO SHARE THAT RESEARCH IN VARIOUS WORKSHOPS, WHICH
4 IS VERY, VERY IMPORTANT.

5 WE'VE ALSO EXERCISED SOME PRETTY STIFF
6 OPERATIONAL DISCIPLINE. PROP 71 ALREADY IMPOSES A
7 6-PERCENT CAP ON THE AGENCY'S ADMINISTRATIVE
8 EXPENSES. AND CIRM IS OPERATING NOW UNDER 40
9 PERCENT BELOW ITS CUMULATIVE OVERHEAD ALLOWANCE FOR
10 THE PAST FIVE YEARS. NO OTHER STATE AGENCY CAN
11 CLAIM THAT. AND CIRM HAS ACHIEVED EARLY SUCCESS IN
12 ITS CURRENT PROGRAMS.

13 LET ME GIVE YOU AN EXAMPLE. CIRM FUNDING
14 HAS ALREADY LED TO ONE HUMAN CLINICAL TRIAL FOR A
15 DISEASE CALLED MYELOFIBROSIS, AN ACQUIRED BLOOD
16 DISEASE WHICH LEADS TO LEUKEMIA AND STROKES. THE
17 THERAPY SHOWS CONSIDERABLE PROMISE FOR PATIENTS WHO
18 HAVE PREVIOUSLY HAD VERY FEW VIABLE TREATMENT
19 OPTIONS. IN FACT, ALMOST NONE EXCEPT BONE MARROW
20 TRANSPLANTS.

21 I'D LIKE TO SHOW YOU A CLIP BY
22 DR. CATRIONA JAMIESON, A CIRM-FUNDED INVESTIGATOR,
23 WHOSE WORK LED TO THE DISCOVERY, INTERVIEWING SOME
24 OF HER PATIENTS AND WHAT THIS WORK HAS ACHIEVED.

25 MS. KING: I CAN DO THAT NOW. I HATE TO

BARRISTERS' REPORTING SERVICE

1 TROUBLE THE COMMITTEE MEMBERS, BUT MR. LOTT IS DOING
2 WHAT I'M THINKING SOME OF THE OTHER COMMITTEE
3 MEMBERS MAY WANT TO DO AS WELL, SIT RIGHT HERE IN
4 THE AUDIENCE SO THAT YOU CAN ACTUALLY SEE THE CLIP.
5 THAT'S THE ONLY AVAILABLE SCREEN. THANK YOU SO
6 MUCH.

7 MR. TORRES: YOU CAN JUST TURN AROUND TOO.

8 (CLIP WAS THEN SHOWN, NOT HEREIN
9 TRANSCRIBED.)

10 MR. TORRES: WE HAVE A VIDEO ALSO OF AN
11 ALZHEIMER'S DISEASE ISSUE WHICH IS IN THE WORKS, A
12 SECOND HUMAN CLINICAL TRIAL, BUT I'M AFRAID TO PLAY
13 IT. YOU WON'T GET THE BENEFIT OF THE SOUND, BUT WE
14 CAN SEND IT TO YOU. I THINK YOU'VE SEEN IT ALREADY,
15 MR. CONTROLLER. BUT THAT'S ANOTHER EXAMPLE OF THE
16 PRODUCTIVITY THAT RESULTS NOT ONLY IN THE TREATMENT
17 OF PATIENTS, BUT MAKES THEM MORE PRODUCTIVE
18 CALIFORNIA CITIZENS, PAYING TAXES AND BEING PART OF
19 THE REVENUE STREAM FOR THIS STATE.

20 FINALLY, WE'VE COMMITTED MORE THAN 230
21 MILLION IN 14 DIFFERENT DISEASE TEAMS, RESEARCH
22 TEAMS, AND THESE ARE THE TEAMS OF SCIENTISTS WITH
23 VARIOUS EXPERTISE WHO HAVE COME TOGETHER AND
24 PRESENTED CREDIBLE EVIDENCE THEY CAN FILE AN
25 INVESTIGATIVE NEW DRUG APPLICATION WITH THE FEDERAL

BARRISTERS' REPORTING SERVICE

1 DRUG ADMINISTRATION, WHICH IS A PREREQUISITE FOR
2 CLINICAL TRIALS, WITHIN 48 MONTHS. THESE TEAMS ARE
3 TRYING TO FIND THERAPIES OR CURES FOR DISEASES
4 RANGING FROM CANCER TO HIV/AIDS, ALS, AND IN SOME
5 CASES TRYING TO HELP OR COULD HAVE HELPED MY TRUE
6 FRIEND, TED KENNEDY.

7 AS THESE THERAPIES AND TREATMENTS NEAR THE
8 END OF HUMAN CLINICAL TRIALS, WE WILL CONDUCT
9 ADDITIONAL RESEARCH TO DETERMINE, AGAIN, THE
10 ECONOMIC IMPACT THAT THE LESS EXPENDITURE OF
11 TREATMENTS WILL OCCUR AS A RESULT OF THESE
12 TREATMENTS AND THERAPIES.

13 I'D NOW LIKE TO INTRODUCE MARGARET
14 FERGUSON, WHO IS OUR FINANCIAL OFFICER, WHO WILL
15 DISCUSS THE BUDGET. MS. FERGUSON.

16 MS. FERGUSON: THANK YOU.

17 MS. KING: YOU SHOULD HAVE IN YOUR HAND,
18 THANKS TO A WONDERFUL STAFF, A POWERPOINT DECK
19 ENTITLED 2008-2009 FINAL BUDGET ALLOCATION AND
20 EXPENDITURE REPORT. DOES EVERYBODY HAVE THAT ONE?
21 EXCELLENT. THERE ARE ALSO SLIDES ON THE SCREEN FOR
22 ANYONE THAT WOULD RATHER WATCH IT THAT WAY.

23 MARGARET, I AM YOUR SLIDE CONDUCTOR.

24 MS. FERGUSON: WELL, ALL RIGHT.

25 CHAIRMAN CHIANG: BEFORE YOU PROCEED, LET

BARRISTERS' REPORTING SERVICE

1 ME JUST MAKE CLEAR. THE COMMENTARY ACTUALLY HAS
2 SORT OF MERGED ITEMS 6 AND 7. WHEN I INVITED CIRM
3 TO COME UP AND SPEAK, IT WAS BASED ON THE AUDIT,
4 BUT, ART, YOU WERE VERY ARTICULATE AND MORE
5 EXPANSIVE. SO THIS BUDGET INCLUDES ITEM 7. DO YOU
6 HAVE ANY COMMENTS ABOUT THE FINANCIAL AUDIT? WE CAN
7 JUST PROCEED. OKAY. VERY GOOD. THANK YOU,
8 MARGARET.

9 MS. FERGUSON: WELL, GOOD MORNING, MEMBERS
10 OF THE CFAOC AND MEMBERS OF THE PUBLIC THAT ARE
11 PRESENT. I'M HERE TODAY TO PRESENT BOTH THE FINAL
12 OVERVIEW OF CIRM'S '08-'09 OPERATING BUDGET AND
13 REPORT ON THE 2009-10 BUDGET EXPENDITURES THROUGH
14 DECEMBER 31, '09.

15 I WILL BEGIN WITH THE FINAL EXPENDITURES
16 FOR THE FISCAL YEAR '08-'09. AND, AGAIN, THIS
17 PRESENTATION ONLY -- HERE WE GO. I WILL BEGIN ONLY
18 WITH THE FINAL EXPENDITURES FOR FISCAL -- I ALREADY
19 SAID THAT -- '08-'09. BUT, ANYWAY, THE PRESENTATION
20 IS ONLY ON WHAT CIRM SPENT ON OPERATIONS AND DOES
21 NOT INCLUDE ANY GRANT FUNDING INFORMATION.

22 ALL RIGHT. ON THE SCREEN OR IN YOUR BOOK
23 THERE, THE FIRST CATEGORIES OF EXPENSES ARE
24 INTERAGENCY AGREEMENTS, OR I'LL GO OVER THE CATEGORY
25 OF EXPENSES, WHICH ARE SALARIES AND BENEFITS,

BARRISTERS' REPORTING SERVICE

1 INTERAGENCY AGREEMENTS, EXTERNAL CONTRACTS, ICOC
2 SCIENCE WORK GROUP MEETINGS, OTHER TRAVEL, FURNITURE
3 AND EQUIPMENT, INFORMATION TECHNOLOGY, AND OTHER
4 OPERATING EXPENSE AND EQUIPMENT.

5 UNDER THE FIRST COLUMN, THAT IS OUR BUDGET
6 ALLOCATION OR WAS THE BUDGET ALLOCATION FOR '08-'09
7 THAT WAS APPROVED BY OUR BOARD LAST YEAR. SECOND
8 COLUMN, EXPENDITURES POSTED THROUGH JUNE 30TH.
9 THOSE WERE THE TOTAL EXPENDITURES FOR OUR OPERATING
10 BUDGET IN '08-'09. AND IN SALARIES AND BENEFITS, WE
11 SPENT \$5.4 MILLION IN OTHER OPERATING EXPENDITURES
12 AND EQUIPMENT, A TOTAL OF FOUR MILLION NINE FOR A
13 GRAND TOTAL OF 10,400,000. WE LEFT 2.9 MILLION OF
14 OUR TOTAL BUDGET IN SAVINGS, OR WE SPENT 78 PERCENT
15 WITH A 22-PERCENT SAVINGS OVERALL IN FISCAL YEAR
16 '08-'09.

17 MR. LOTT: MR. CHAIRMAN.

18 CHAIRMAN CHIANG: YES.

19 MR. LOTT: CAN YOU EXPLAIN WHY THE
20 22-PERCENT VARIANCE? WHAT ACCOUNTS FOR THAT HUGE
21 SAVINGS?

22 MS. FERGUSON: I'D BE HAPPY TO. ALL
23 RIGHT. THE SAVINGS OCCURRED IN SALARIES AND
24 BENEFITS. WE HAD A SAVINGS OF APPROXIMATELY \$1.5
25 MILLION. AND PART OF THAT REASONING OR THE REASON

BARRISTERS' REPORTING SERVICE

1 FOR IT IS WHEN WE DID OUR ORIGINAL BUDGET OR
2 DEVELOPED IT, WE DEVELOPED IT ON THE BASIS THAT WE
3 WERE LOOKING TO HIRE 44 POSITIONS. WHEN WE STARTED
4 '08-'09, WE WERE AT 31 FILLED POSITIONS. BY THE END
5 OF JUNE 30, '09, WE HAD ONLY ACHIEVED FILLING UP TO
6 38 POSITIONS. SO, THEREFORE, WE HAD A SIGNIFICANT
7 SAVINGS IN SALARIES BECAUSE, IN THE PROCESS OF
8 HIRING, IT'S A UNIQUE GROUP OF PEOPLE WE ARE LOOKING
9 FOR AND IT'S VERY DIFFICULT, AND WE WERE ONLY ABLE
10 TO ACHIEVE THE 38.

11 SO THE SIGNIFICANT PIECE IS IN SALARIES
12 AND BENEFITS. HOWEVER, UNDER INTERAGENCY
13 AGREEMENTS, WE HAD A SAVINGS OF \$199,000, AND THAT
14 WAS DUE TO SAVINGS IN AN AGREEMENT THAT WE HAD WITH
15 THE CONTROLLER'S OFFICE DURING OUR TRANSITION.
16 TRANSITION WENT MUCH SMOOTHER, QUICKER THAN
17 ANTICIPATED. WE HAD SAVINGS IN OUR DEPARTMENT OF
18 JUSTICE AGREEMENT OF ABOUT \$23,000.

19 THE SIGNIFICANT SAVINGS, THOUGH, WAS
20 \$138,000 THAT WE HAD WITH THE SENATE RULES
21 COMMITTEE. WE HAD AN AGREEMENT THAT WENT THROUGH
22 THE YEAR; HOWEVER, WE DIDN'T HAVE THAT NEED SHORTLY
23 AFTER THE BEGINNING OF THE YEAR, SO THAT AGREEMENT
24 TERMINATED IN AUGUST.

25 UNDER ICOC SCIENCE AND WORK GROUP

BARRISTERS' REPORTING SERVICE

1 MEETINGS, THERE WAS A SAVINGS OF \$488,000, AND MOST
2 OF THAT SAVINGS OCCURRED AS IN THE COST OF VENUES,
3 AIRFARES, AND A REDUCTION IN THE NUMBER OF MEETINGS
4 THAT WE HAD. WHEN WE DID DEVELOP THE '08-'09
5 BUDGET, THE COST OF OIL WAS RISING AND SIGNIFICANTLY
6 INCREASED BOTH THE COST OF GROUND AND AIR
7 TRANSPORTATION. THESE INCREASES OR THE INCREASES
8 THAT WERE OCCURRING AT THAT TIME WERE FACTORED INTO
9 THE BUDGET ALLOCATIONS; HOWEVER, IT DIDN'T COME TO
10 PASS. IT DID GO UP FOR A LITTLE WHILE, BUT IT
11 SETTLED BACK DOWN. SO WE INCURRED SAVINGS IN THAT
12 AREA.

13 IN OTHER TRAVEL WE HAD SAVINGS IN OUR
14 TRAVEL OF ABOUT 53,000 IN-STATE AND 263,000 IN
15 OUT-OF-STATE TRAVEL. AND AGAIN, SOME OF THE TRAVEL
16 IS DIRECTLY RELATED TO THE FACT THAT WE DIDN'T GET
17 TO 44 POSITIONS. SO TRAVEL IS DIRECTLY RELATED AS
18 WELL TO INDIVIDUALS. AND IN THE STATE PROCESS, WHEN
19 YOU ARE -- YOU HAVE TO GO THROUGH A PROCESS THROUGH
20 THE DEPARTMENT OF FINANCE TO GET APPROVAL TO TRAVEL
21 OUT-OF-STATE. AND AT THAT TIME YOU NEED TO ENSURE
22 THAT YOU PUT ALL THE TRAVEL THAT YOU ANTICIPATE
23 HAPPENING ON THAT WHAT THEY CALL OUT-OF-STATE TRAVEL
24 BLANKET BECAUSE IF IT'S NOT THERE, THEN YOU HAVE TO
25 EITHER GO THROUGH SPECIAL, NOT SPECIAL, BUT

BARRISTERS' REPORTING SERVICE

1 INDIVIDUAL REQUESTS. SO WHAT WE DO IS WE PUT
2 EVERYTHING THAT WE ANTICIPATED HAPPENING, AND WE
3 DIDN'T GO TO ALL OF THOSE TRIPS, AS WELL AS WE
4 DIDN'T HAVE THE STAFF AT THE LEVEL THAT WE NEEDED,
5 AND WORKLOADS ALSO INTERFERED WITH SOME OF THAT
6 TRAVEL. THE WORK NEEDS TO HAPPEN FIRST AND THE
7 TRAVEL SECOND.

8 AND OTHER OE&E, WE HAD SAVINGS THAT WERE
9 DUE TO WE HAD BUDGETED FOR SOME OF THE MEMBERSHIPS
10 AS A WHOLE AS AN AGENCY THAT WE OPTED NOT TO DO AS
11 WELL AS SAVINGS IN SALARIES AND TRAINING FOR STAFF.
12 THAT WAS THE SAVINGS. DOES THAT ANSWER YOUR
13 QUESTION?

14 MR. LOTT: YES. WHAT WEREN'T YOU ABLE TO
15 DO BECAUSE YOU DIDN'T HAVE THOSE POSITIONS? WHAT
16 DIDN'T HAPPEN OR WHAT DIDN'T GET DONE?

17 MS. FERGUSON: IN TERMS OF WORKLOAD?

18 MR. LOTT: WORK, YEAH. ARE WE ABLE TO
19 MANAGE AND DO EVERYTHING AND ACCOMPLISH ALL YOUR
20 GOALS AND OBJECTIVES WITHOUT THESE SIX POSITIONS, I
21 GUESS, THAT YOU DIDN'T FILL?

22 MS. FERGUSON: WELL, I'M PROBABLY NOT THE
23 BEST PERSON TO ANSWER THAT.

24 DR. ROBSON: WE CAN HAVE MR. ROBSON IF
25 YOU'D LIKE IN A MINUTE WHEN IT'S MY TURN.

BARRISTERS' REPORTING SERVICE

1 MR. TORRES: ARE YOU DONE?

2 DR. ROBSON: OR I CAN DO IT NOW.

3 MR. TORRES: I JUST WANT TO MAKE SURE

4 MARGARET HAS COMPLETED HER PRESENTATION.

5 MS. KING: NO. SHE HAS A FEW MORE SLIDES.

6 MS. FERGUSON: I STILL HAVE THE '09-'10.

7 MR. LOTT: I CAN HOLD. I CAN WAIT.

8 MS. FERGUSON: ALL RIGHT.

9 DR. LIPSON: AND I HAVE A QUESTION.

10 MS. FERGUSON: SURE.

11 DR. LIPSON: THERE APPEARS TO BE A
12 TREMENDOUS AMOUNT OF MONEY SPENT ON EXTERNAL
13 CONTRACTS. IS THAT BECAUSE OF THE CAP OF 50
14 POSITIONS? AND THAT MAY ACCOUNT FOR SOME OF YOUR
15 REDUCTIONS SINCE YOU SEND WORK OUTSIDE. SO EXPLAIN
16 TO ME ABOUT THE CONTRACTS.

17 MS. FERGUSON: AGAIN, I'M PROBABLY GOING
18 TO DEFER TO JOHN WHEN HE COMES UP HERE TO ADDRESS
19 THE OTHER ISSUE, IF THAT'S ACCEPTABLE.

20 DR. LIPSON: SURE.

21 MS. FERGUSON: ALL RIGHT. IN 2009-10, IF
22 WE GO AHEAD AND MOVE INTO 2009-10, WE HAVE AN
23 OVERALL BUDGET OF \$12,945,000 OF WHICH THROUGH
24 DECEMBER 31ST, '09, WE HAVE SPENT \$4.8 MILLION. IN
25 SALARIES AND BENEFITS, WE BUDGETED \$7.4 MILLION. WE

BARRISTERS' REPORTING SERVICE

1 HAVE SPENT 3.2 WITH A BALANCE OF FOUR ONE AVAILABLE
2 FOR THE NEXT SIX MONTHS OF THE YEAR.

3 IN OPERATING EXPENSES AND EQUIPMENT, WE
4 BUDGETED 5.5. WE ARE AT \$1.5 MILLION IN EXPENSES
5 THROUGH DECEMBER, AND LEAVING A BALANCE OF 3.9.

6 NOW, AGAIN, THIS IS THE DETAIL OR SUMMARY
7 DETAIL OF THOSE EXPENSE CATEGORIES. THE SAME
8 OPERATING EXPENSE CATEGORIES IN SALARIES AND
9 BENEFITS, OVERALL WE'VE SPENT 45 PERCENT OF OUR
10 SALARIES AND BENEFITS. WE HAVE SPENT 28 PERCENT OF
11 OPERATING EXPENSE AND EQUIPMENT FOR AN OVERALL
12 EXPENDITURE OF 38 PERCENT OF OUR CURRENT BUDGET.

13 HOWEVER, I WOULD LIKE TO BRING TO THE
14 COMMITTEE'S ATTENTION THAT AT A MINIMUM THERE IS A
15 ONE-MONTH LAG IN ANY PROCESSING OF INVOICES. AND
16 DURING THE BEGINNING OF THE FISCAL YEAR, IT'S
17 USUALLY LONGER THAN THAT ONE-MONTH LAG BECAUSE
18 AGENCIES ARE CLOSING, PREPARING YEAR-END STATEMENTS,
19 AND SETTING UP FOR THE NEW FISCAL YEAR. TYPICALLY
20 INVOICES FOR GOODS AND SERVICES RENDERED IN ONE
21 MONTH ARE NOT PROCESSED FOR PAYMENT OR POSTED TO OUR
22 BUDGET REPORTS UNTIL THE SUBSEQUENT MONTH.

23 IN ADDITION TO THIS MONTHLY LAG IN
24 PROCESSING INVOICES, WE HAVE CONTRACTS AND
25 INTERAGENCY AGREEMENTS THAT ARE NOT PAID ON A

BARRISTERS' REPORTING SERVICE

1 MONTHLY BASIS, BUT RATHER A QUARTERLY BASIS OR WHEN
2 THE PRODUCT IS COMPLETED AND RECEIVED.

3 WE CURRENTLY HAVE ACCRUED OBLIGATIONS OF
4 APPROXIMATELY \$297,000 THROUGH DECEMBER THAT ARE NOT
5 POSTED OR RECORDED ON THIS BUDGET REPORT BECAUSE
6 THEY CAME IN ON THAT ONE-MONTH LAG PERIOD. IF WE
7 TAKE THOSE INTO CONSIDERATION, THEN OUR OPERATING
8 EXPENSE AND EQUIPMENT BUDGET WILL REFLECT THAT 34
9 PERCENT OF BUDGET HAS BEEN EXPENDED, AND OVERALL
10 EXPENDITURES WOULD BE AT 40 PERCENT OF OUR CURRENT
11 BUDGET. SO WE ARE RUNNING APPROXIMATELY 10 PERCENT
12 UNDER BUDGET AT THIS MOMENT.

13 ARE THERE ANY QUESTIONS ON THE CURRENT
14 YEAR?

15 DR. LIPSON: AGAIN, A LOT OF EXTERNAL
16 CONTRACTS.

17 MS. FERGUSON: YES.

18 MR. LOTT: MR. CHAIRMAN, CAN YOU DISCUSS
19 THE OVEREXPENDITURE ON FURNITURE AND EQUIPMENT?

20 MS. FERGUSON: THE OVEREXPENDITURE ON
21 FURNITURE AND EQUIPMENT WAS WE REPLACED TWO COPIERS.
22 I HAD BUDGETED NOT QUITE ENOUGH MONEY TO COVER THAT
23 EXPENSE. WE WENT WITH A LITTLE BIT HIGH ENDER
24 MACHINE TO MEET OUR NEEDS, SO THAT WAS THE
25 OVEREXPENDITURE THERE. BUT OVERALL IT WAS WELL

BARRISTERS' REPORTING SERVICE

1 WITHIN OUR OPERATING BUDGET.

2 CHAIRMAN CHIANG: THANK YOU, MARGARET.

3 MS. FERGUSON: OKAY. THANK YOU.

4 DR. ROBSON: OKAY. I'M JOHN ROBSON. I'M
5 VICE PRESIDENT FOR OPERATIONS AT CIRM. SO I WAS
6 GOING TO REALLY TALK ABOUT OUR OVERALL FINANCIAL
7 SITUATION, BUT I'LL ADDRESS SOME OF THESE ISSUES
8 THAT CAME UP DURING MARGARET'S PRESENTATION.

9 I THINK, IN GENERAL, DOING OUR ANNUAL
10 BUDGETS IS DIFFICULT. IT'S DIFFICULT TO PREDICT OUR
11 NEEDS OVER A YEAR BECAUSE WE'RE AN EVOLVING
12 ORGANIZATION. WE STARTED IN 2006 WITH 16 GRANTS AND
13 A VERY SMALL STAFF. WE ARE NOW MANAGING 320, OVER
14 320 GRANTS, AND WE'RE GROWING AS FAST AS WE CAN TO
15 MANAGE THOSE SYSTEMS. BECAUSE OF OUR 50-PERSON CAP,
16 WHICH I'LL TALK ABOUT A LITTLE BIT LATER BECAUSE IN
17 THE AGENDA YOU ASKED FOR SOME DISCUSSION OF RISKS,
18 AND I'LL GET INTO THAT MAYBE IN SOME MORE DETAIL
19 THEN.

20 BUT BECAUSE OF OUR 50-PERSON CAP, THAT'S A
21 FAIRLY SMALL NUMBER FOR AN OPERATION FUNDING AGENCY
22 THE SIZE OF OURS. I DID A COMPARISON WITH A COUPLE
23 OF OTHER AGENCIES, AND WE HAVE FIFTH -- SORT OF DO
24 IT ON A PER-DOLLAR BASIS OR NUMBER IN THE GRANT
25 PORTFOLIO BASIS. OUR STAFF SIZE IS ABOUT HALF OF

BARRISTERS' REPORTING SERVICE

1 WHAT'S SORT OF TYPICAL. SO WE FEEL IT'S REALLY
2 ESSENTIAL THAT WE HIRE VERY HIGH QUALITY PEOPLE FOR
3 THESE POSITIONS. MOST OF THEM ARE PEOPLE WHO HAVE
4 RESEARCH EXPERIENCE. THEY'RE WHAT WE CALL OUR
5 SCIENCE OFFICERS. WE NOW HAVE ABOUT 21 OF THEM.
6 THEY ARE -- ALL OF THEM HAVE EITHER M.D.'S OR
7 PH.D.'S AND THEY HAVE SIGNIFICANT RESEARCH
8 EXPERIENCE.

9 THESE PEOPLE ARE NOT THAT EASY TO FIND.
10 WE HAVE TO BE VERY CAREFUL ABOUT THE ONES WE BRING
11 IN BECAUSE WE ASK THEM TO DO A LOT OF THINGS, DESIGN
12 GRANTS, REVIEW APPLICATIONS, EVALUATE PROGRESS
13 REPORTS, MANAGE OUR PORTFOLIO. SO IT'S A VERY
14 COMPLEX ENDEAVOR.

15 AND SO I THINK THAT'S THE REASON OUR
16 GRANTS -- OUR BUDGETS HAVE RUN UNDER EXPECTATIONS
17 BECAUSE WE HAVEN'T BEEN ABLE TO FIND THE INDIVIDUALS
18 AS QUICKLY AS WE HAD HOPED.

19 NOW, WITH REGARD TO YOUR QUESTION ABOUT
20 CAN WE DO WHAT WE NEED TO DO, I THINK THE ANSWER TO
21 THAT IS YES BECAUSE THE PEOPLE WE HAVE HIRED HAVE
22 BEEN EXCEPTIONAL. I PERSONALLY, IT'S THE MOST
23 DEDICATED, TALENTED GROUP ON AN OVERALL BASIS THAT
24 I'VE EVER WORKED WITH. THEY WORK EXTREMELY HARD.
25 PEOPLE WORK NIGHTS, THEY WORK WEEKENDS. WE HAVE MET

BARRISTERS' REPORTING SERVICE

1 OUR NEEDS.

2 ONE PLACE WE DO FALL SHORT BECAUSE -- IS A
3 CONCERN OF OURS, BECAUSE WE HAVE BEEN SHORT ON
4 HIRING OUR SCIENCE OFFICERS, IS THAT THEY HAVEN' T
5 TRAVELED AS MUCH AS WE WOULD LIKE. WE' D LIKE THEM
6 TO GO TO SOME OF THE MEETINGS MORE. FOR THEM TO DO
7 THEIR JOB RIGHT, THEY HAVE TO STAY CURRENT IN THEIR
8 FIELDS. AND SO, AS MARGARET MENTIONED, THE WORK
9 IN-HOUSE SOMETIMES GETS IN THE WAY OF THESE OTHER
10 DEVELOPMENT -- CAREER DEVELOPMENT OPPORTUNITIES WE
11 LIKE TO PROVIDE.

12 SO THAT' S ONE OF THE REASONS THAT THEIR
13 TRAVEL IS LOW, BUT WE HAVE MET OUR MISSION FOR
14 MANAGING, DEVELOPING OUR RFA' S, MANAGING THE REVIEW
15 PROCESS WHICH IS ESSENTIAL FOR IDENTIFYING THE
16 PROPER FUNDING THE BEST SCIENCE AND THEN ALSO THE
17 ANNUAL PROGRESS REPORTS OF LOOKING AT THE PROGRESS
18 THAT EACH INDIVIDUAL PROGRAM IS MAKING TO SEE IF
19 IT' S MEETING OUR EXPECTATIONS. SO WE HAVE BEEN ABLE
20 TO MEET THOSE.

21 CONTRACTS, YOU ASKED ABOUT CONTRACTS, YES,
22 WE DO. BECAUSE OF OUR 50-PERSON CAP, WE' RE
23 ALWAYS -- WE SORT OF HAVE OUR EYES ON THAT ALL THE
24 TIME. AND EVEN THOUGH WE HAVEN' T GOTTEN UP TO THAT
25 POINT, WE HAVE TO SAVE POSITIONS THAT WE HAVE

BARRISTERS' REPORTING SERVICE

1 IDENTIFIED THAT WILL ENABLE US TO MEET OUR HIGHEST
2 PRIORITIES, WHICH IS DELIVERING THE BEST RESEARCH WE
3 CAN TO CALIFORNIA.

4 SO WE HAVE -- WE DO CONTRACT OUT. ONE OF
5 THE AREAS WE HAVE MADE A DECISION TO CONTRACT OUT IS
6 ALL OF OUR I.T. SUPPORT. SO ALL OF OUR I.T. SUPPORT
7 IS DONE THROUGH CONTRACTS AND CONSULTANTS BECAUSE WE
8 JUST DON'T FEEL THAT WE HAVE THE CAPACITY TO DO
9 THAT.

10 WE ALSO HAVE SOME LEGAL FEES IN THERE. SO
11 THAT'S -- AND WE DO -- BECAUSE OF OUR 50-PERSON CAP,
12 WE CAN'T GET ALL OF THE EXPERTISE WE NEED TO DO
13 EVERYTHING THAT WE DO. SO WE DO GO OUT AND HIRE
14 THAT -- THOSE EXPERTS WHEN WE NEED THEM.

15 DR. LIPSON: BUT YOU STILL HAVE SIX
16 UNFILLED POSITIONS.

17 DR. ROBSON: WE DO HAVE SIX UNFILLED
18 POSITIONS, AND I CAN TELL YOU WE HAVE ONE OF THE
19 IMPORTANT ONES THAT WE ARE MISSING RIGHT NOW IS A
20 VICE PRESIDENT FOR RESEARCH AND DEVELOPMENT. THAT
21 POSITION WE ARE IN THE REVIEW PROCESS FOR HIRING.
22 THAT PERSON WILL HAVE A VERY IMPORTANT ROLE IN
23 INTERFACING WITH THE FDA FOR GETTING OUR PROGRAMS
24 APPROVED FOR CLINICAL TRIAL. THAT PERSON WILL HAVE
25 A VERY STRONG ROLE IN THE OVERSIGHT OF OUR DISEASE

BARRISTERS' REPORTING SERVICE

1 TEAMS AND OUR MORE CLINICAL PROGRAMS WHICH WILL HAVE
2 GO/NO-GO DECISION POINTS AND MILESTONES. AND THAT
3 PERSON IS GOING TO NEED A STAFF. SO THOSE POSITIONS
4 ARE REALLY RESERVED FOR THAT ROLE, MOST OF THEM.

5 AND SO THAT'S THE SITUATION WE FIND
6 OURSELVES. AND LIKE I SAY, I INTENDED TO TALK A
7 LITTLE BIT MORE ABOUT THE 50-PERSON CAP WHEN WE GOT
8 INTO OUR RISKS.

9 DR. LIPSON: OKAY. THANK YOU.

10 DR. ROBSON: ANYTHING ELSE? OKAY. SO LET
11 ME GO ON AND FILL YOU IN, UPDATE YOU ON WHAT'S
12 HAPPENED IN OUR OVERALL FINANCES SINCE WE LAST MET.
13 SO THAT'S IN ABOUT THE LAST 11 MONTHS.

14 FIRST, LET ME TALK ABOUT INCOME FROM BOND
15 SALES. THE STATE HAS BEEN ABLE TO -- THE
16 TREASURER'S OFFICE DID TWO GENERAL OBLIGATION BOND
17 SALES FROM WHICH WE BENEFITED. ONE WAS DONE IN
18 APRIL. THAT ONE TOTALED 505 MILLION. A GOOD CHUNK
19 OF THAT MONEY WENT TO PAY OFF LOANS THAT WE HAD IN
20 THE POOLED MONEY INVESTMENT ACCOUNT. BUT WE ENDED
21 UP WITH A NET INCREASE IN FUNDS OF 297 MILLION FROM
22 THAT.

23 THERE WAS ANOTHER SALE DONE IN OCTOBER.
24 THE TOTAL FOR THAT WAS 161 MILLION OF WHICH WE,
25 AGAIN, SOME OF THAT WAS USED TO PAY OFF THE LAST OF

BARRISTERS' REPORTING SERVICE

1 THE MONIES THAT WE STILL HAD IN THE PMIA. AND WE
2 ENDED -- NETTED 118 MILLION OUT OF THAT.

3 SO TO DATE THE STATE TREASURER'S OFFICE
4 HAS RAISED ABOUT 916 AND A HALF MILLION DOLLARS FOR
5 US THROUGH BOND SALES. SO THAT'S OUR TOTAL SO FAR.

6 NOW, LET'S LOOK AT COMMITMENTS WE MADE
7 THIS YEAR. DO YOU HAVE A HARD COPY OF THIS?

8 MS. HOLTON-HODSON: NO. COULD WE HAVE
9 COPIES BECAUSE IT'S VERY DIFFICULT TO LOOK AROUND?

10 DR. ROBSON: YOU HAD MARGARET'S. SO YOU
11 DIDN'T GET THE --

12 MS. KING: I GOT YOUR SLIDES FROM YOU
13 TODAY AND PUT THEM UP HERE SO WE COULD PROJECT THEM,
14 BUT I DON'T -- SORRY. I DON'T HAVE ANY WAY OF
15 MAKING COPIES OF THEM. I DON'T KNOW HOW THE COPIES
16 GOT MADE.

17 DR. ROBSON: SO I DON'T KNOW HOW
18 MARGARET'S COPIES GOT MADE.

19 MS. KING: I DON'T HAVE ANY. I NEVER SAW
20 THESE SLIDES BEFORE. I GOT THEM ON HERE TO PROJECT.
21 SORRY. WE THOUGHT THERE WAS GOING TO BE A SYSTEM TO
22 JUST PLUG INTO, BUT WE'RE USING MY LAPTOP.

23 DR. ROBSON: HOW WOULD YOU LIKE TO DO
24 THIS? YOU WANT TO MOVE DOWN HERE AND I'LL STAND
25 THERE. DO YOU WANT TO JUST TWIST AROUND?

BARRISTERS' REPORTING SERVICE

1 MS. HOLTON-HODSON: I THINK WE' LL JUST
2 HAVE TO EITHER TWIST AROUND OR WE' LL MOVE DOWN THERE
3 AND WE' LL LOOK AND SEE AND ASK QUESTIONS THAT WAY.

4 DR. ROBSON: SORRY ABOUT THIS. OKAY. SO
5 THESE ARE THE GRANT PROGRAMS THAT HAVE BEEN APPROVED
6 BY THE ICOC. SO THEY ARE -- THEY' VE EITHER STARTED
7 THEIR FUNDING OR THEY' RE IN THE PROCESS, THE FINAL
8 PROCESS OF STARTING FUNDING.

9 SO THERE WERE FIVE PROGRAMS APPROVED.
10 BRIDGES TO STEM CELL RESEARCH, THAT' S A PROGRAM FOR
11 MASTER' S AND UNDERGRADUATES TO BRING THEM INTO THE
12 STEM CELL FIELD. IT' S TARGETED PRIMARILY TO THE
13 STATE COLLEGE SYSTEM AND COMMUNITY COLLEGES.
14 TRAINING II IS TARGETED AT PH. D. , POST-DOC, PH. D.
15 STUDENTS, POSTDOCTORAL FELLOWS, AND CLINICAL
16 FELLOWS. SO THESE -- BOTH OF THESE PROGRAMS ARE FOR
17 BUILDING CAPACITY, RESEARCH CAPACITY, WITHIN THE
18 STATE.

19 EARLY TRANSLATIONAL IS OUR FIRST SORT OF
20 FORAY INTO FUNDING PROGRAMS THAT ARE MOVING TOWARDS
21 THE CLINIC TO GET BASIC RESEARCH FINDINGS INTO THE
22 DEVELOPMENT TRACK TO GET THEM TOWARDS THE CLINIC.
23 THAT HAS BEEN FUNDED THIS YEAR. BUT WE' RE ALSO
24 STILL FUNDING BASIC BIOLOGY. SO THE BASIC BIOLOGY
25 PROGRAM FOR 16 MILLION ALSO HAS GONE OUT THIS YEAR.

BARRISTERS' REPORTING SERVICE

1 AND THEN FINALLY, AS ART TORRES MENTIONED,
2 THE ICOC APPROVED OUR FIRST DISEASE TEAMS PROGRAM
3 FOR \$230 MILLION. COUNTING THE FUNDING PARTNERS WE
4 HAVE FROM OTHER COUNTRIES, THAT'S UP TO SOMETHING
5 CLOSE TO 270 TO \$280 MILLION TOTAL INVESTMENT INTO
6 THOSE 14 PROGRAMS.

7 AND THE OBJECTIVE OF THOSE IS AT THE END
8 OF FOUR YEARS, EACH OF THOSE PROJECTS IS TO PRODUCE
9 AN APPLICATION FOR AN INVESTIGATIONAL NEW DRUG TO
10 THE FDA. SO THAT'S THE LAST STEP BEFORE CLINICAL
11 TRIAL.

12 DR. LIPSON: EXCUSE ME. IS MONEY FROM
13 THIS GOING OUTSIDE THE COUNTRY?

14 DR. ROBSON: NO. SO THE FOREIGN PART, THE
15 PARTNERS, THOSE COUNTRIES FUND THE RESEARCH WITHIN
16 THEIR COUNTRY. WE FUND THE COMPONENT OF THE
17 RESEARCH WITHIN CALIFORNIA.

18 DR. LIPSON: RIGHT. BUT WHAT ABOUT THINGS
19 THAT ARE FOUND OR SOME OF THE INFORMATION WHICH MAY
20 BE MARKETABLE OR BRING IN FUNDS?

21 DR. ROBSON: SO THE IP REGULATIONS ARE
22 WORKED OUT BETWEEN THE -- WE DON'T GET INVOLVED WITH
23 THAT. THE IP IS WORKED OUT BETWEEN THE TWO -- THE
24 TEAM MEMBERS.

25 DR. LIPSON: I UNDERSTAND, BUT DOES THE

BARRISTERS' REPORTING SERVICE

1 STATE GET REIMBURSED FOR -- WHEN FUNDS COME FROM
2 THIS FOR ALSO THE INTELLECTUAL PROPERTIES DEVELOPED
3 DURING THESE GRANTS?

4 DR. ROBSON: IF THE INTELLECTUAL PROPERTY
5 IS DEVELOPED IN CALIFORNIA, YES.

6 DR. LIPSON: BUT WHAT DOES THE STATE GET?
7 IN OTHER WORDS, DO WE GET REPAID OR THEY GET IN
8 PERPETUUM A PERCENTAGE OF WHAT HAS BEEN -- WHAT IS
9 BEING BROUGHT IN?

10 MR. TORRES: WHY DON'T WE HAVE JAMES
11 HARRISON, OUR LEGAL COUNSEL, RESPOND TO THAT. I
12 THINK IT GOES DIRECTLY TO WHAT'S IN THE INITIATIVE
13 ITSELF, PROPOSITION 71.

14 MS. KING: AND IN OUR IP REGULATIONS.

15 MR. HARRISON: HI. I'M JAMES HARRISON.
16 I'M COUNSEL TO THE BOARD.

17 PROP 71 REQUIRES THE GOVERNING BOARD OF
18 CIRM TO ADOPT INTELLECTUAL PROPERTY STANDARDS THAT
19 BALANCE THE STATE'S OPPORTUNITY TO RECEIVE INCOME
20 GENERATED BY CIRM-FUNDED RESEARCH WITH THE NEED TO
21 ENSURE THAT THE RESEARCH ISN'T UNNECESSARILY
22 HINDERED. SO AFTER A LENGTHY PUBLIC PROCESS THAT
23 INCLUDED OPEN MEETINGS, TESTIMONY BY EXPERTS, CIRM'S
24 GOVERNING BOARD ADOPTED INTELLECTUAL PROPERTY
25 REQUIREMENTS THAT APPLY TO ALL CIRM GRANTEES,

BARRISTERS' REPORTING SERVICE

1 INCLUDING THE DISEASE TEAM GRANTEES, THAT REQUIRES
2 THEM TO PROVIDE REVENUES TO THE STATE AT VARYING
3 LEVELS DEPENDING UPON THE SUCCESS AND THE MAGNITUDE
4 OF SUCCESS OF THEIR PROJECT.

5 SO THE STATE DOES HAVE AN INTEREST IN
6 LICENSE FEES AND ROYALTIES GENERATED BY CIRM'S
7 RESEARCH.

8 DR. LIPSON: IS THAT PUBLISHED ANYWHERE?

9 MR. HARRISON: YES, IT IS. WE'D BE HAPPY
10 TO SHARE A COPY OF THE REGULATIONS WITH YOU.

11 DR. LIPSON: THAT WOULD BE USEFUL.

12 MS. KING: JUST AS A POINT OF INFORMATION
13 FOR DR. LIPSON, THERE ARE ALSO TRANSCRIPTS FROM EACH
14 OF THE MEETINGS OF THE IP TASK FORCE, WHICH STARTED
15 MEETING IN 2005, I BELIEVE IT WAS. THERE WERE A
16 NUMBER OF PUBLIC MEETINGS WHICH MIGHT BE OF GREAT
17 INTEREST TO YOU THAT THE TRANSCRIPTS ARE ALL
18 AVAILABLE ON OUR WEB SITE, AND WE'D BE HAPPY TO SEND
19 THEM TO YOU.

20 MR. TORRES: IT WAS MY SUCCESSOR, ED
21 PENHOET, WHO CHAIRED THAT COMMITTEE, AND WE'LL
22 PROVIDE THE TRANSCRIPTS AS WELL AS THE IP
23 REGULATIONS.

24 MS. KING: ABSOLUTELY. THOSE ARE ALL
25 AVAILABLE ON OUR WEB SITE. I CAN SEND YOU THE

BARRISTERS' REPORTING SERVICE

1 LINKS, OR WE'RE HAPPY TO SEND YOU THE PDF'S,
2 WHATEVER IS EASIEST. LET ME KNOW.

3 DR. LIPSON: OKAY. THANK YOU.

4 DR. ROBSON: SO THE TOTAL, THEN, THAT WE
5 COMMITTED FOR THIS YEAR WAS 389,000 MILLION, AND
6 THAT BRINGS OUR TOTAL COMMITMENTS TO A LITTLE BIT
7 OVER A BILLION DOLLARS THAT WE'VE MADE SO FAR.

8 WE CAN GO ON, WE'VE ALSO MADE -- IN THE
9 PAST YEAR WE'VE MADE -- SOME PROGRAMS HAVE GONE
10 THROUGH WHAT WE CALL CONCEPT APPROVAL BY THE ICOC.
11 SO THESE ARE PROGRAMS THAT HAVE BEEN APPROVED FOR
12 FUNDING, BUT THEY'VE NOT BEEN FUNDED YET. THEY'RE
13 IN VARIOUS STAGES OF THE REVIEW PROCESS.
14 APPLICATIONS ARE BEING PREPARED TO BE SUBMITTED OR
15 THEY ARE ABOUT TO BE REVIEWED BY OUR GRANTS WORKING
16 GROUP, WHICH IS THE SCIENTIFIC REVIEW BOARD THAT
17 ACTUALLY TAKES THE FIRST REVIEW OF THESE PROGRAMS.

18 DR. LIPSON: EXCUSE ME. WHAT IS THE
19 PERCENT OF FUNDING RIGHT NOW FOR YOUR NEW GRANTS?

20 DR. ROBSON: THAT VARIES CONSIDERABLY FROM
21 PROGRAM TO PROGRAM. SO FOR THE DISEASE TEAMS, WE
22 STARTED OUT, I THINK IT WAS, 74 OR SOMETHING LIKE
23 THAT APPLICATIONS. WE HAD TO GO THROUGH -- THEY
24 WENT THROUGH A PREAPPLICATION REVIEW PROCESS, AND
25 THE TOP 31 WERE INVITED TO SUBMIT FINAL APPLICATIONS

BARRISTERS' REPORTING SERVICE

1 TO US. FOURTEEN OF THOSE WERE FUNDED. SO OF THE
2 71, WE FUNDED 14.

3 FOR THE BASIC BIOLOGY, WE HAD OVER 200
4 APPLICATIONS, PREAPPLICATIONS FOR THAT. THEY WENT
5 THROUGH PREAPPLICATION REVIEW. WE ENDED UP FUNDING
6 16. SO IT VARIES QUITE A BIT FROM PROGRAM TO
7 PROGRAM.

8 OUR TRAINING PROGRAMS, THE FUNDING RATE
9 HAS BEEN VERY HIGH.

10 DR. LIPSON: HOW HIGH?

11 DR. ROBSON: ABOUT 75 TO 80 PERCENT.

12 DR. LIPSON: ISN'T THAT UNUSUAL?

13 DR. ROBSON: THAT IS -- THAT IS A BIT
14 UNUSUAL, YES. BUT WE HAVE FELT IT WAS VERY
15 IMPORTANT TO SUPPORT THOSE PROGRAMS TO BUILD THE
16 CAPACITY WITHIN THE STATE.

17 DR. LIPSON: RIGHT. BUT ALSO BRING IN
18 HOPEFULLY PRODUCTIVE RATHER THAN NONPRODUCTIVE
19 SCIENTISTS.

20 DR. ROBSON: YES. THESE ARE STUDENTS.
21 THESE ARE STUDENT TRAINING AND POST DOCS. TRYING TO
22 GET PEOPLE INTO THE FIELD.

23 DR. LIPSON: UNDERSTOOD.

24 DR. ROBSON: OKAY. IN ADDITION, WE EXPECT
25 THAT THE ICOC WILL APPROVE AT LEAST ONE MORE PROGRAM

BARRISTERS' REPORTING SERVICE

1 DURING THIS -- FOR THIS CALENDAR YEAR. AND THAT ONE
2 WOULD ADD ANOTHER 130 PERHAPS MILLION, HUNDRED TO
3 \$130 MILLION TO THAT \$184 MILLION TOTAL. SO WE
4 WOULD EXPECT THAT, BY THE END OF THIS CALENDAR YEAR,
5 WE WILL COMMIT ANOTHER PERHAPS 250 TO \$300 MILLION
6 IN GRANT FUNDING.

7 DR. LIPSON: EXCUSE ME.

8 DR. ROBSON: INCLUDING OUR FIRST CLINICAL
9 TRIAL PROGRAM.

10 DR. LIPSON: EXCUSE ME. WHAT IS THE 130
11 MILLION THING?

12 DR. ROBSON: SO THE 130 MILLION IS
13 SOMETHING WE CALL TOOLS AND TECHNOLOGIES, SO THOSE
14 ARE FOR SPECIAL TECHNOLOGIES THAT WILL BENEFIT STEM
15 CELL RESEARCH, BUT WE ALSO ARE ANTICIPATING
16 INCLUDING A CLINICAL TRIAL COMPONENT TO THAT BECAUSE
17 WE WOULD LIKE TO PROVIDE -- WE THINK THERE ARE SOME
18 PRODUCTS THAT ARE READY FOR CLINICAL TRIAL THAT
19 COULD USE SUPPORT FROM CIRM THAT ARE HAVING
20 DIFFICULTY GETTING SUPPORT ELSEWHERE IN THIS CURRENT
21 CLIMATE.

22 DR. LIPSON: AND WHOSE CLINICAL TRIALS ARE
23 THESE? ARE THESE INDUSTRIES?

24 DR. ROBSON: WE DON'T -- WELL, SOME ARE
25 INDUSTRIES, SOME ARE COMING FROM ACADEMICS. BUT

BARRISTERS' REPORTING SERVICE

1 EVEN THE ACADEMIC ONES HAVE INDUSTRIAL PARTNERS.

2 DR. LIPSON: WELL, THE QUESTION IS WHAT DO
3 WE GET OUT OF THE INDUSTRIAL PARTNERS FOR THE PEOPLE
4 OF CALIFORNIA?

5 DR. ROBSON: WELL, WE GET ASSURANCE OF THE
6 THERAPY BEING PROVIDED AT A COST THAT CAN BE
7 AFFORDED BY EVERYONE.

8 DR. LIPSON: WHAT ABOUT REIMBURSEMENT FOR
9 THE MONIES PUT IN?

10 DR. ROBSON: AGAIN, THAT COMES BACK TO THE
11 IP AND THE ROYALTIES. IF THE ROYALTIES REACH A
12 CERTAIN LEVEL, WE RECEIVE SOME BENEFIT FROM THAT.

13 DR. LIPSON: NO, BUT ACTUALLY PAYMENT FOR
14 WHAT HAS BEEN INVESTED.

15 DR. ROBSON: OH, WE HAVE A LOAN PROGRAM
16 NOW FOR INDUSTRY. SO --

17 DR. LIPSON: NO. MONIES THAT GO TO FUND
18 INDUSTRY START-UPS FOR CLINICAL TRIALS, THAT'S --

19 DR. ROBSON: SOME OF THAT MONEY IS DONE AS
20 GRANTS, AND THAT WE WILL GET ROYALTIES IF THEIR
21 PRODUCTS PRODUCE. AND SOME OF IT GOES AS LOANS, AND
22 THE LOANS THEN WILL BE PAID BACK.

23 DR. LIPSON: RIGHT. BUT GRANTS TO
24 INDUSTRY SHOULD BE REPAYED IN FULL FOR WHAT HAS BEEN
25 GIVEN PLUS INTEREST PLUS SOME OF THE INTELLECTUAL

BARRISTERS' REPORTING SERVICE

1 PROPERTY THAT IS DERIVED. OTHERWISE IT'S UNFAIR.

2 AND THEN THE OTHER QUESTION IS WHO'S
3 PICKING WHICH INDUSTRIES OR WHICH COMPANIES ARE
4 BEING FUNDED?

5 DR. ROBSON: OUR GRANTS WORKING GROUP
6 MAKES DECISIONS ABOUT WHAT GETS FUNDED.

7 DR. LIPSON: AND ARE THERE --

8 DR. ROBSON: AND THEN FINALLY THE ICOC
9 MAKES THE FINAL DECISION.

10 DR. LIPSON: AND ARE THERE SOME COMPANIES
11 THAT ARE FAVORED; IN OTHER WORDS, THEY HAVE MORE
12 GRANTS? IN OTHER WORDS, IT WOULD BE NICE TO KNOW
13 WHO'S OPINED AND WHO'S FUNDED.

14 DR. ROBSON: THERE ARE ORGANIZATIONS THAT
15 HAVE GOTTEN MORE MONEY THAN OTHERS. IT'S TRUE. THE
16 UNIVERSITIES AND RESEARCH INSTITUTES, THEY HAVEN'T
17 ALL GOTTEN AN EQUAL AMOUNT OF MONEY.

18 DR. LIPSON: I'M TALKING ABOUT COMPANIES.

19 DR. ROBSON: AND IT'S TRUE OF COMPANIES AS
20 WELL. SOME COMPANIES HAVE -- I MEAN IT'S A -- ALL
21 AWARDS ARE MADE ON A COMPETITIVE BASIS. SO IT'S
22 REALLY A MEASURE OF HOW WELL THEIR IDEAS AND THEIR
23 PROGRESS COMPETE AGAINST THEIR PEERS.

24 DR. LIPSON: RIGHT. BUT I GUESS WHAT I'M
25 ASKING IS IS THERE A WAY OF SEEING WHICH COMPANIES

BARRISTERS' REPORTING SERVICE

1 ARE SUBMITTING GRANTS AND WHO'S GETTING FUNDED? IN
2 OTHER WORDS, IS THERE --

3 DR. ROBSON: ALL OF OUR AWARDEES ARE
4 PUBLISHED.

5 DR. LIPSON: NOT AWARDEES, APPLICATIONS.

6 DR. ROBSON: NO, WE DON'T PUBLISH THE
7 NAMES OF ALL APPLICANTS.

8 DR. LIPSON: SO THEN THERE COULD BE A
9 DISCRIMINATION AGAINST CERTAIN COMPANIES AND WE
10 WOULDN'T KNOW THAT.

11 DR. ROBSON: WE HAVE SOME OF THE NUMBERS.
12 WE CAN PROVIDE NUMBERS, BUT WE HAVEN'T PUT THE
13 NAMES. WE FELT THAT THAT COULD BE DETRIMENTAL TO
14 THE SUCCESS OF THE COMPANY TO PUBLISH THEIR NAME AND
15 INDICATION THAT THEY WERE NOT FUNDED BY US.

16 DR. LIPSON: BUT WE ALSO, THEN, CAN'T TELL
17 IF SOMEONE IS BEING EXCLUDED FOR ONE REASON OR THE
18 OTHER THAT WAY.

19 DR. ROBSON: IT'S A BALANCING ACT.

20 DR. LIPSON: THAT DOESN'T ANSWER THE
21 QUESTION.

22 DR. ROBSON: WELL, NO ONE IS EXCLUDED FROM
23 APPLYING.

24 DR. LIPSON: I UNDERSTAND THAT, BUT THEY
25 CAN --

BARRISTERS' REPORTING SERVICE

1 MR. TORRES: I WOULD PREFER IF MR.
2 HARRISON WOULD ANSWER THAT QUESTION. MR. HARRISON.

3 MR. HARRISON: I THINK I CAN CLEAR UP THE
4 CONFUSION. THE APPLICATIONS COME TO THE GOVERNING
5 BOARD, WHICH MAKES THE FINAL DECISIONS ON FUNDING,
6 SIMPLY WITH AN APPLICATION NUMBER. IN OTHER WORDS,
7 THE NAME OF THE COMPANY IS NOT DISCLOSED. SO WHEN
8 THE BOARD MEMBERS DECIDE WHETHER OR NOT TO FUND A
9 PARTICULAR APPLICATION, THEY DON'T KNOW THE IDENTITY
10 OF THE COMPANY.

11 DR. ROBSON: THEY DON'T EVEN KNOW IF IT'S
12 A COMPANY.

13 MR. HARRISON: THAT'S ONE WAY WE ENSURE
14 THAT THERE ARE NO -- THERE IS NO BIAS. THE DECISION
15 IS MADE SOLELY ON THE MERITS OF THE SCIENCE.

16 MR. LOTT: MR. CHAIRMAN, ON THIS POINT, ON
17 THIS POINT, DOES THE ICOC HAVE A COMPLIANCE
18 COMMITTEE OF THE COMMISSION THAT WOULD LOOK AT ALL
19 OF THESE ISSUES? THAT WOULD BE THE PLACE TO CHECK
20 THE PROCESSES.

21 MR. HARRISON: WELL, IN FACT, THE BOARD AT
22 ITS UPCOMING MEETING ON FEBRUARY 3D AND 4TH, ONE OF
23 ITS AGENDA ITEMS IS TO CONSIDER A SCIENTIFIC ISSUES
24 REVIEW COMMITTEE OR TASK FORCE TO EXAMINE ALL OF THE
25 ISSUES THAT RELATE TO THE PROCESS BY WHICH

BARRISTERS' REPORTING SERVICE

1 APPLICATIONS ARE REVIEWED, INCLUDING SOME OF THE
2 ISSUES THAT HAVE COME UP TODAY.

3 DR. LIPSON: YES. I JUST REALLY STILL
4 THINK THERE NEEDS TO BE A WAY BECAUSE PEOPLE IN A
5 SMALL FIELD KNOW WHO'S DOING WHAT. AND SO IF YOU
6 EVEN HAVE AN UNLABELED OR NUMBERED GRANT, PEOPLE MAY
7 KNOW WHICH COMPANY IS PUTTING THAT OUT. AND SO IT'S
8 A THING WHERE IT HAS TO BE BETTER PUT OUT TO -- IN
9 OTHER WORDS, MORE OPEN TO THE PUBLIC TO SEE IF
10 SOMETHING IS BEING ROUTED ONE WAY OR THE OTHER WITH
11 BIAS IS WHAT I'M SAYING.

12 MR. TORRES: WELL, THAT'S A CONFLICT
13 PROVISION THAT EACH OF US ABIDE BY.

14 MR. HARRISON: RIGHT. SO I CAN CLARIFY
15 THAT AS WELL. FIRST OF ALL, WE HAVE A RIGOROUS
16 CONFLICT OF INTEREST STANDARD FOR THE MEMBERS OF OUR
17 GRANTS REVIEW WORKING GROUP, WHICH THE CONTROLLER'S
18 OFFICE AUDITED LAST YEAR. AND THESE STANDARDS ARE
19 HIGHER EVEN THAN THOSE OF THE NATIONAL INSTITUTES OF
20 HEALTH. SO BEFORE ANY REVIEWER LOOKS AT AN
21 APPLICATION, WE'VE ALREADY DONE A VIGOROUS VETTING
22 PROCESS TO DETERMINE WHETHER THE REVIEWER HAS ANY
23 INTEREST IN THE APPLICATION.

24 AND BY THE WAY, THIS IS NOT JUST FINANCIAL
25 INTEREST. WE ALSO LOOK AT PROFESSIONAL AND PERSONAL

BARRISTERS' REPORTING SERVICE

1 INTEREST AS WELL. SO THAT'S THE FIRST SET OF
2 PROTECTIONS. WE HAVE VERY STRICT CONFLICT OF
3 INTEREST PROVISIONS THAT APPLY EVEN BEFORE THE
4 APPLICATION IS CONSIDERED.

5 THE GRANTS WORKING GROUP THEN REVIEWS THE
6 SCIENTIFIC MERIT OF THE APPLICATION, MAKES ITS
7 RECOMMENDATIONS, WHICH ARE PUBLISHED, INCLUDING A
8 SUMMARY OF THE FINDINGS AND THE REVIEW OF THE
9 PROPOSAL. THOSE SUMMARIES ARE THEN PROVIDED TO THE
10 BOARD. WE, AS STAFF OF THE AGENCY, BECAUSE THE
11 BOARD MEMBERS DON'T KNOW THE IDENTITY OF THE
12 APPLICATIONS, HAVE DEVELOPED A SYSTEM TO IDENTIFY
13 THOSE MEMBERS WHO HAVE AN INTEREST IN ANY
14 APPLICATION. AND THEY'RE INSTRUCTED TO RECUSE
15 THEMSELVES FROM PARTICIPATION IN THAT REVIEW TO
16 ENSURE THAT THERE IS NO BIAS AND THAT THERE'S NO
17 PARTICIPATION BY ANYONE WHO HAS AN INTEREST.

18 DR. LIPSON: BUT THAT TELLS THE OTHER
19 PEOPLE WHO HAS THE INTEREST AND BASICALLY IT
20 DESTROYS THE ANONYMI TY.

21 MR. HARRISON: WELL, YOU'D BE SURPRISED
22 ACTUALLY. BECAUSE OF THE NATURE OF THE SCIENTIFIC
23 ENTERPRISE, THERE ARE FREQUENTLY APPLICATIONS WHICH
24 INVOLVE COLLABORATORS OR SUBCONTRACTS WITH OTHER
25 INSTITUTIONS. SO THERE ARE A VARIETY OF PEOPLE WHO

BARRISTERS' REPORTING SERVICE

1 RECUSE THEMSELVES NOT NECESSARILY BECAUSE THEY'RE
2 EMPLOYED BY THE INSTITUTION THAT SUBMITTED THE
3 APPLICATION, BUT BECAUSE OF RESEARCH OR AT THEIR
4 INSTITUTION MAYBE A CO-PRINCIPAL INVESTIGATOR ON THE
5 AWARD OR MAY BE PERFORMING SERVICES PURSUANT TO A
6 SUBCONTRACT. SO IT'S VERY DIFFICULT TO DETERMINE,
7 BASED ON WHO'S INSTRUCTED NOT TO PARTICIPATE, WHAT
8 THE IDENTITY OF THE APPLICANT IS.

9 BUT AS DR. ROBSON SAID, ULTIMATELY THIS IS
10 A BALANCING TEST. WE'VE TRIED VERY HARD TO PUT IN
11 PLACE VERY RIGOROUS CONFLICT OF INTEREST PROVISIONS
12 TO TRY TO PROHIBIT ANY BIAS AND TO FOCUS THE
13 ATTENTION ON THE SCIENTIFIC MERIT BECAUSE WE'RE
14 CONCERNED THAT PEOPLE WILL BE UNWILLING TO PUT
15 FORWARD INNOVATIVE IDEAS AND PROPOSALS IF THEIR
16 FAILURE IS TRUMPETED ACROSS THE WEB AND MADE PUBLIC.
17 SO WE'VE BEEN VERY CAREFUL TO TRY TO BALANCE THE
18 NEED TO ASSURE THAT DECISIONS ARE MADE ON THE MERITS
19 WITH THE NEED TO ALSO PROTECT POTENTIAL APPLICANTS
20 FROM BEING PUBLICLY IDENTIFIED AS HAVING FAILED TO
21 OBTAIN FUNDING. AND THAT'S THE BALANCE WE'VE
22 STRUCK.

23 DR. LIPSON: BUT THERE'S BIAS IN THE BOARD
24 ANYHOW.

25 MR. HARRISON: WELL, IF A MEMBER HAS AN

BARRISTERS' REPORTING SERVICE

1 INTEREST IN A PARTICULAR APPLICATION, HE CAN'T
2 PARTICIPATE IN IT.

3 DR. LIPSON: NO, BUT I MEAN, FOR INSTANCE,
4 IN THE ACADEMIC INSTITUTIONS, PEOPLE OR DEANS SIT ON
5 THE BOARD AND THEY GET BETWEEN 10 AND 60 OR \$80
6 MILLION A YEAR FROM THE FUNDING. AND THAT BASICALLY
7 IS A CONFLICT OF INTEREST WHICH IS ONGOING.

8 MR. HARRISON: WELL, IT'S TRUE THAT
9 MEMBERS OF INSTITUTIONS DO SIT ON THE BOARD. BUT
10 IT'S ALSO TRUE THAT THEY'RE NOT PERMITTED TO
11 PARTICIPATE IN ANY DECISION REGARDING A GRANT TO
12 THEIR OWN INSTITUTION. AND THE COURT OF APPEAL,
13 WHEN IT CONSIDERED THE VARIOUS CHALLENGES TO
14 PROPOSITION 71, INCLUDING CHALLENGES BASED ON
15 CONFLICTS OF INTEREST, DETERMINED THAT THE VOTERS
16 HAD MADE THE DECISION THAT IT WAS MORE IMPORTANT TO
17 HAVE THE TYPE OF EXPERTISE THAT PROP 71 REQUIRES ON
18 THE BOARD THAN IT WAS TO PREVENT THE APPEARANCE OF A
19 CONFLICT OF INTEREST PROVIDED THAT THE MEMBERS
20 COULDN'T PARTICIPATE IN ANY DECISION IN WHICH THEY
21 HAD A FINANCIAL INTEREST.

22 DR. LIPSON: EXCEPT MOST DEANS ARE NOT
23 KNOWLEDGEABLE IN STEM CELL RESEARCH, I HATE TO SAY.

24 AND THE OTHER ISSUE IS THEY ALL KNOW THAT
25 THEIR SCHOOLS ARE GOING TO GET MONEY, SO IT'S LIKE

BARRISTERS' REPORTING SERVICE

1 AN OLD BOY' S CLUB. SO IT MAY BE APPROVED BY THE
2 COURT OF APPEALS, BUT THERE' S APPARENT TO ME
3 IMPROPRIETY NO MATTER WHAT THE COURT SAID.

4 MR. HARRISON: WELL, I WOULD INVITE YOU TO
5 ATTEND A MEETING OF THE GOVERNING BOARD BECAUSE I
6 THINK THAT YOUR CONCERNS WOULD BE LESSEned AS A
7 RESULT. WE HAVE A VERY VIGOROUS PARTICIPATION BY
8 MEMBERS OF THE BOARD. THOSE MEMBERS WHO HAVE ANY
9 INTEREST ARE STRICTLY PROHIBITED FROM PARTICIPATING.
10 WE KEEP A VERY CLOSE EYE ON THAT, AND I THINK THAT
11 YOU' D FIND THAT DECISIONS TRULY ARE MADE ON THE
12 BASIS OF SCIENTIFIC MERIT, NOT BASED ON WHERE THE
13 APPLICATIONS COME FROM.

14 DR. LIPSON: PERHAPS.

15 DR. ROBSON: OKAY. SO AT THE END OF THIS
16 YEAR, WE WOULD EXPECT THAT WE HAVE COMMITMENTS OUT
17 OF ABOUT 1.3 BILLION, LITTLE OVER A THIRD OF OUR
18 TOTAL ALLOCATION.

19 SO LET ME JUST SHOW YOU ON THIS NEXT
20 SLIDE, WHICH SUMMARIZES OUR CURRENT FINANCIAL
21 SITUATION. MELISSA.

22 MS. KING: SO SORRY, YES. RIGHT THERE
23 WITH YOU.

24 DR. ROBSON: ALL RIGHT. SO THIS IS A
25 LITTLE BIT OF A -- MAY LOOK LIKE A COMPLICATED

BARRISTERS' REPORTING SERVICE

1 GRAPH, BUT IT'S NOT THAT DIFFICULT. SO THIS JUST
2 SHOWS QUARTERLY EXPENDITURES, THE VERTICAL BARS,
3 STARTING IN JANUARY OF 2009 AND GOING TO THE END OF
4 JUNE 2011. SO THE PURPLE OR BLUE PART OF THE BAR IS
5 WHAT WE PROJECT OR WHAT WE SPENT ON GRANTS AND
6 FACILITIES AND RESEARCH GRANTS, TRAINING GRANTS
7 DURING EACH OF THOSE QUARTERS. THE GOLD OR TAN PART
8 AT THE BOTTOM IS WHAT WE SPENT ON OUR INTERNAL
9 OPERATIONS. AND THE NUMBERS ON THE LEFT VERTICAL
10 COLUMN, THOSE CORRESPOND TO THOSE BARS.

11 SO IF YOU LOOK AT APRIL TO JUNE 2009, WE
12 SPENT A TOTAL OF ABOUT \$60 MILLION DURING THAT
13 QUARTER.

14 THE GREEN LINE INDICATES THE AMOUNT OF
15 MONEY THAT WE HAVE AVAILABLE TO US IN OUR BOND FUND.
16 AND YOU CAN SEE IN APRIL TO JUNE 2009, WE HAD AN
17 ADDITION OF 297 MILLION, AND IN OCTOBER WE GOT
18 ANOTHER 118 MILLION. THE END OF THIS CALENDAR YEAR,
19 WE WERE AT ABOUT 405 MILLION. AND IF WE PROJECT
20 FORWARD WITHOUT ANY ADDITIONAL BOND INCOME, WE WOULD
21 HAVE AT THE END OF FISCAL YEAR OF 2011, THAT'S END
22 OF JUNE 2011, ABOUT \$56 MILLION REMAINING. THIS
23 DOESN'T TAKE INTO ACCOUNT ANY PROGRAMS THAT
24 HAVE -- THESE ARE ONLY PROGRAMS THAT HAVE BEEN
25 EITHER FUNDED OR HAVE RECEIVED CONCEPT APPROVAL FROM

BARRISTERS' REPORTING SERVICE

1 THE I COC.

2 THE ONE I MENTIONED THAT IS GOING TO COME
3 UP FOR REVIEW, THAT ONE IS NOT INCLUDED ON THERE.
4 THAT WOULD DROP THAT NUMBER DOWN, BUT MOST OF THAT
5 FUNDING WOULD INCUR AFTER JUNE 2011, SO IT WON'T
6 HAVE A HUGE IMPACT ON THAT PROJECTION. SO THAT'S
7 WHERE WE ARE WITH OUR SORT OF OVERALL FINANCES AT
8 THIS POINT.

9 NOW, ONE OF THE THINGS THAT WAS ON THE
10 AGENDA THAT WAS DISCUSSED LAST YEAR WAS TO TALK
11 ABOUT SOME OF THE RISKS THAT WE FACE. AND SO I'D
12 LIKE TO GO THROUGH A FEW THINGS IN REGARD TO THAT.

13 I GUESS I'D START WITH A CAVEAT, WHICH IS
14 THAT SCIENTIFIC RESEARCH HAS INHERENT RISK TO IT.
15 EACH INDIVIDUAL PROJECT THAT WE FUND IS A FAIRLY
16 HIGH-RISK ENDEAVOR. ON A PORTFOLIO BASIS, IT'S BEEN
17 SHOWN AT THE NIH THAT THERE IS SIGNIFICANT PAYBACK.
18 BUT ON AN INDIVIDUAL PROJECT BY PROJECT, IT'S VERY
19 DIFFICULT TO PREDICT.

20 IF WE GO AHEAD, SO I'VE IDENTIFIED WHAT I
21 THINK ARE A FEW OF THE RISKS THAT WE FACE. ONE IS A
22 VERY OVERRIDING ONE IS THAT OUR FUNDING PROGRAMS
23 WON'T ADAPT QUICKLY TO CHANGES IN THE SCIENCE, THAT
24 WE'LL BE PUTTING OUT RFA'S TO FUND NEW PROGRAMS THAT
25 ARE PERHAPS MISDIRECTED OR PERHAPS NOT TAKING

BARRISTERS' REPORTING SERVICE

1 ADVANTAGE OF THE LATEST FINDINGS. SO WHAT ARE WE
2 TRYING TO DO TO MITIGATE AGAINST THAT?

3 WELL, WE DID AN UPDATE OF OUR STRATEGIC
4 PLAN IN THE LAST YEAR, AND THAT WAS DONE WITH INPUT
5 FROM SCIENTISTS FROM BIOTECH COMPANIES AND FROM THE
6 PUBLIC, THE BASIC STAKEHOLDERS, AND PATIENT
7 ADVOCATES. AND IN THIS YEAR WE ARE PLANNING, AS WAS
8 OUTLINED IN THE STRATEGIC PLAN OF 2006, TO HAVE AN
9 EXTERNAL REVIEW OF ALL OF OUR PROGRAMS. AND THIS
10 WILL BE DONE BY A TEAM WHICH WE'RE PUTTING TOGETHER
11 OF SCIENTISTS, PEOPLE REPRESENTING RESEARCH,
12 REPRESENTING FUNDING AGENCIES, PATIENT ADVOCATES,
13 AND ETHICISTS TO DO A RIGOROUS OVERVIEW OF ALL OF
14 OUR PROGRAMS. AND THAT WILL BE DONE DURING THIS
15 CALENDAR YEAR PROBABLY IN THE FALL.

16 AND THEN THE OTHER THING I WOULD MENTION,
17 WHICH JAMES HAS ALREADY TALKED ABOUT A LITTLE BIT,
18 IS OUR GRANTS WORKING GROUP IS MADE UP OF LEADING
19 STEM CELL SCIENTISTS FROM AROUND THE COUNTRY.
20 THEY'RE ALL FROM OUTSIDE OF CALIFORNIA. BUT THEY
21 KEEP -- THEY ARE CERTAINLY ATTUNE WITH THE LATEST
22 ADVANCES IN STEM CELL SCIENCE. SO WHEN THEY'RE
23 REVIEWING GRANTS, GRANT APPLICATIONS, FOR US,
24 THEY'RE TAKING INTO ACCOUNT THEY'RE TRYING TO FUND
25 THE ONES THAT ARE REALLY HEADING IN THE BEST

BARRISTERS' REPORTING SERVICE

1 DIRECTION.

2 NEXT SLIDE. SO AGAIN, THE RISK THAT WE
3 MIGHT NOT FUND THE BEST PROPOSALS WHEN THEY COME TO
4 US, THAT WE HAVE A FOUR-STAGE PROCESS FOR REVIEWING
5 EACH APPLICATION. JAMES HAS TALKED ABOUT MUCH OF IT
6 SO FAR.

7 FIRST, IT BEGINS WITH A SCIENTIFIC REVIEW
8 BY THE GRANTS WORKING GROUP. THIS IS A GROUP OF 15
9 EXPERT STEM CELL SCIENTISTS WHO WE PUT THE GROUP
10 TOGETHER TO MATCH THE RFA SO THAT WE HAVE THE
11 APPROPRIATE EXPERTISE. IF WE DON'T HAVE -- FOR AN
12 INDIVIDUAL GRANT, IF WE DON'T HAVE THE PROPER
13 EXPERTISE IN THAT 15-PERSON PANEL, WE'LL GET AN
14 EXPERT AND HAVE THEM CALL IN AND PARTICIPATE IN THE
15 DISCUSSION OF THAT PROPOSAL. EACH PROPOSAL THAT
16 SUBMITS A FULL APPLICATION IS DISCUSSED BY THE
17 GRANTS WORKING GROUP, IT'S GIVEN A SCORE FROM ONE TO
18 A HUNDRED, AND THEN THEY ARE RANKED.

19 THEY THEN GO THROUGH -- THE NEXT DAY THEY
20 GO THROUGH A SECOND REVIEW, WHICH WE CALL A
21 PROGRAMMATIC REVIEW. WE HAVE PATIENT ADVOCATES WHO
22 PARTICIPATE IN THAT. AND THEN THEY RANK THE
23 APPLICATIONS. AND SO THEY TAKE INTO ACCOUNT NOT
24 JUST THE SCIENTIFIC MERIT PROPOSED BY THE
25 SCIENTISTS, BUT THEY ALSO TAKE INTO ACCOUNT THE

BARRISTERS' REPORTING SERVICE

1 MISSION OF CIRM AND HOW IT FITS IN WITH OTHER
2 PROGRAMS THAT HAVE BEEN FUNDED.

3 DR. LIPSON: SO BASICALLY, EXCUSE ME, THAT
4 THEY OVERRIDE THE SCIENTIFIC MERIT.

5 DR. ROBSON: THEY DON'T OVER -- THIS IS
6 DONE IN COLLABORATION WITH THE SCIENTISTS, WITH THE
7 15 MEMBERS, SO THEY ALL -- THEY COME TO THIS
8 CONCLUSION TOGETHER. SO THEY LISTEN TO THE PATIENT
9 ADVOCATES' POINTS. IF THEY THINK THEY NEED TO
10 RECONSIDER, THEY DO THAT.

11 DR. LIPSON: EXCEPT, AGAIN, SCIENCE MAY
12 NOT WIN OUT OVER A MOTION? IS THAT WHAT YOU'RE
13 SAYING?

14 DR. ROBSON: THAT'S CORRECT. BUT YOU HAVE
15 TO REMEMBER THAT WHEN A SCORE IS GIVEN, THERE'S A
16 CERTAIN AMOUNT OF -- WHAT SHOULD I SAY -- A GRANT
17 THAT GETS A 79 IS NOT NECESSARILY BETTER THAN ONE
18 THAT'S A 78. THAT'S A VERY DIFFICULT JUDGMENT. SO
19 REALLY WHERE THEY FOCUS IS ON THE BORDERLINE BECAUSE
20 THEY HAVE AN IDEA -- BECAUSE THERE'S A BUDGET, A
21 PROPOSED BUDGET ALLOCATED FOR THAT, THE GROUP HAS AN
22 IDEA ABOUT HOW MANY GRANTS ARE GOING TO BE FUNDED.
23 AND THEN THEY MAKE A DECISION -- THEY REALLY FOCUS
24 ON THE ONES THAT ARE SORT OF ON THE BORDERLINE.

25 DR. LIPSON: AGAIN, THAT'S NOT NECESSARILY

BARRISTERS' REPORTING SERVICE

1 A SATISFACTORY WAY OF DOING THINGS. AND AGAIN, IT
2 DEPENDS ON WHAT THE SCIENTISTS WHO ARE REVIEWING DO.
3 IN OTHER WORDS, DOES ONE PERSON REVIEW A GRANT AND
4 THEN TALK TO THE WHOLE 15?

5 DR. ROBSON: NO. THERE ARE THREE PEOPLE
6 WHO REVIEW. AND THE THREE PEOPLE COMMENT, AND THEN
7 IT'S OPEN FOR DISCUSSION FROM THE ENTIRE PANEL.

8 DR. LIPSON: BUT ONLY THREE PEOPLE REALLY
9 REVIEW IT THEN.

10 DR. ROBSON: THREE PEOPLE REVIEW. THIS IS
11 TYPICAL FOR MOST FUNDING AGENCIES. IT'S NOT -- IT'S
12 NOT REALLY FEASIBLE BECAUSE OF THE VOLUME OF WORK TO
13 EXPECT EVERY MEMBER OF THE COMMITTEE TO READ EVERY
14 GRANT THOROUGHLY. WE ENCOURAGE THEM TO READ AS MANY
15 AS THEY CAN, BUT THEY REALLY HAVE TO FOCUS ON --
16 THERE ARE A FEW THAT THEY FOCUS ON.

17 DR. LIPSON: AND ARE THEIR CONFLICTS RULED
18 OUT IN THOSE 15 PEOPLE WHO ARE REVIEWING THESE
19 GRANTS?

20 DR. ROBSON: ABSOLUTELY, ABSOLUTELY.
21 THERE'S A VERY RIGOROUS PROCESS BEFORE THE
22 ASSIGNMENTS ARE MADE. AND AS I MENTIONED, THEY'RE
23 ALL FROM OUT-OF-STATE. AND WHEN THE FINAL RANKING
24 IS DONE, IT IS DONE IN CONJUNCTION BETWEEN THE
25 PATIENT ADVOCATES AND THE 15 MEMBER -- 15 SCIENTISTS

BARRISTERS' REPORTING SERVICE

1 WHO ARE THERE. AND IT'S AN AGREEMENT -- IT'S A VOTE
2 TAKEN AMONG THE ENTIRE GROUP.

3 DR. LIPSON: OKAY. I UNDERSTAND WHAT
4 YOU'RE SAYING, BUT IT MAY NOT BE THE MOST
5 EFFICACIOUS WAY OF DOING THINGS.

6 DR. HOLLANDER: HOW WOULD YOU DO IT
7 DIFFERENTLY?

8 DR. LIPSON: I WOULD BASICALLY LOOK AT
9 WHAT THE SCIENTISTS SAID AND THEN RANK IN THAT WAY
10 AS FAR AS THE MERIT. AND THEN ONE COULD SEE IF
11 THERE'S SPECIFIC DISEASES THAT WERE OF INTEREST, TO
12 LOOK AT THOSE MAYBE SEPARATELY. BUT THE POINT IS
13 YOU HAVE TO HAVE THE SCIENTIFIC MERIT ABOVE ALL.
14 OTHERWISE DON'T DO IT.

15 DR. ROBSON: IT'S BASED ON SCIENTIFIC
16 MERIT.

17 DR. LIPSON: NO. NO. BUT YOU'RE SAYING
18 THAT THEY VOTE, YOU SEE. WHEN YOU HAVE VOTES OF
19 PEOPLE WHO HAVE -- I MEAN WHAT YOU ARE DOING IS
20 DILUTING WHAT THE SCIENTISTS ARE SAYING BY VOTES OF
21 OTHER PEOPLE WHO MAY HAVE GOOD INTEREST AND GOOD
22 MEANINGS, BUT HAVE SPECIFIC AGENDAS RATHER THAN THE
23 PRODUCTION OF MAKING SURE THE GRANT IS A GOOD
24 INVESTMENT AS WELL AS GOOD SCIENCE.

25 MS. KING: THE SCIENTIFIC SCORE DOESN'T

BARRISTERS' REPORTING SERVICE

1 CHANGE.

2 DR. ROBSON: THEY DON'T CHANGE THE
3 SCIENTIFIC SCORE.

4 DR. HOLLANDER: TO FOLLOW --

5 DR. ROBSON: SO IF I COULD JUST CONTINUE
6 AS TO THE PROCESS, THEY'RE PROVIDED IN RANK ORDER.
7 AS JAMES MENTIONED, SUMMARIES ARE WRITTEN WITHOUT
8 IDENTIFYING WHO THE APPLICANTS ARE. THOSE SUMMARIES
9 ARE SUBMITTED TO THE ICOC. THE ICOC MAKES THE FINAL
10 DECISIONS. THE ICOC SEES THE RANKING AND THEY SEE
11 THE SCORES, AND THEN THEY MAKE THE DETERMINATION
12 ABOUT WHICH ONES TO FUND AND WHICH ONES NOT TO FUND.

13 DR. HOLLANDER: MAY I ASK A QUESTION TO
14 FOLLOW THE REASONING? DOES IT EVER OCCUR THAT A
15 GRANT WITH A VERY LOW SCORE WOULD BE FUNDED AHEAD OF
16 A VERY HIGH SCORE GRANT?

17 DR. ROBSON: I THINK THAT HAS HAPPENED
18 ONCE, AND IT WAS DONE BASED ON A PETITION MADE BY
19 THE APPLICANT AND A RIGOROUS REVIEW OF THE WORK DONE
20 BY THE GRANTS WORKING GROUP.

21 DR. HOLLANDER: SO MOST OF THE TIME THIS
22 DOES NOT HAPPEN AND ESSENTIALLY, IF I UNDERSTAND IT
23 CORRECTLY, BASICALLY THE SCIENTIFIC REVIEW SCORE IS
24 REALLY THE DETERMINING --

25 DR. ROBSON: IT'S THE MOST --

BARRISTERS' REPORTING SERVICE

1 DR. HOLLANDER: -- ALMOST THE MOST
2 IMPORTANT FACTOR.

3 DR. ROBSON: IT'S THE MOST IMPORTANT PART.
4 IF YOU DID A CORRELATION OF FUNDING, THAT WOULD BE
5 THE ONE THAT WOULD BE FAR AND AWAY THE MOST
6 IMPORTANT.

7 DR. LIPSON: YEAH, BUT WHAT IS THE
8 PERCENTAGE?

9 DR. ROBSON: THE PERCENTAGE OF?

10 DR. LIPSON: OF GRANTS THAT ARE BASED ON
11 SCIENTIFIC SCORE THAT ARE FUNDED VERSUS THOSE THAT
12 ARE NOT.

13 DR. ROBSON: WELL --

14 DR. LIPSON: IN OTHER WORDS --

15 DR. ROBSON: THEY'RE ALL BASED ON
16 SCIENTIFIC SCORE.

17 DR. LIPSON: NO. NO. NO. BUT THE POINT
18 IS ONE WAS -- WHAT I'M SAYING IS THE SCIENTIFIC
19 SCORE BASICALLY SHOULD PREDOMINATE.

20 DR. ROBSON: IT DOES.

21 MS. KING: IT DOES 99 PERCENT OF THE TIME.

22 DR. LIPSON: OKAY. AND THAT'S 99.9
23 PERCENT OF THE TIME; IS THAT CORRECT?

24 DR. ROBSON: IT'S CERTAINLY OVER 90
25 PERCENT. CERTAINLY OVER 90.

BARRISTERS' REPORTING SERVICE

1 DR. LIPSON: OKAY. BUT SO THEN THERE' S 10
2 PERCENT AROUND --

3 DR. ROBSON: THOSE END UP BEING THE ONES
4 RIGHT ON THE BORDER. AND SO MAYBE YOU MIGHT HAVE A
5 GRANT WITH A 65, ANOTHER GRANT WITH A 64 THAT ARE
6 EITHER SIDE OF THE FUNDING BORDER, AND THE ICOC
7 WOULD MAKE A DETERMINATION THAT, BASED ON
8 PROGRAMMATIC ANALYSIS, THAT THE ONE WITH THE 64
9 WOULD BE A HIGHER PRIORITY FOR US FOR MEETING OUR
10 MISSION. THOSE ARE THE KINDS OF DECISIONS THAT ARE
11 MADE.

12 DR. LIPSON: OKAY.

13 DR. ROBSON: SO FOLLOWING THE DECISION
14 THAT' S MADE BY THE ICOC, EACH APPLICATION THEN GOES
15 THROUGH WHAT WE CALL PREFUNDING ADMINISTRATIVE
16 REVIEW. THAT' S WHEN CIRM STAFF TAKES OVER. THEY
17 REVIEW THE BUDGET. IF THEY SEE ANY -- HAVE ANY
18 QUESTIONS ABOUT THE BUDGET, THEY' LL CONTACT THE PI.
19 THERE MIGHT BE SOME NEGOTIATIONS OVER THE BUDGET.
20 IT NEVER GOES UP BASED ON WHAT THE ICOC APPROVED,
21 BUT SOMETIMES IT COMES DOWN A LITTLE BIT.

22 AND THEN WE ALSO CHECK TO MAKE SURE THAT
23 THEY' VE MET ALL OF OUR REGULATORY REQUIREMENTS FROM
24 IRB' S, FROM SCRO' S, FROM ANIMAL -- IF THERE' S
25 ANIMALS BEING USED, IF THEY' VE GOT ANIMAL APPROVAL,

BARRISTERS' REPORTING SERVICE

1 THEY' VE GOT ALL OF THEIR APPROVAL FORMS, ALL THE
2 REGULATORY ONES.

3 AND SO ANYWAY, THAT' S THE MECHANISM WE USE
4 TO APPROVE OUR INDIVIDUAL PROPOSALS.

5 MS. KING: I JUST NEEDED TO KNOW IF YOU
6 WANTED TO COVER THAT FINAL POINT. YOU JUST DID. I
7 APOLOGIZE. AND THEN I BELIEVE WE WOULD LIKE YOU TO
8 SPEAK MORE INTO THE MICROPHONE IF YOU COULD, PLEASE.
9 THANK YOU.

10 DR. ROBSON: SO THE NEXT ONE IS DO OUR
11 PROGRAMS THAT WE FUND ACTUALLY MEET THEIR STATED
12 GOALS? DO THE INVESTIGATORS DO WHAT WE' RE EXPECTING
13 THEM TO DO? AND WE MITIGATE AGAINST THAT IN SEVERAL
14 WAYS. FIRST OF ALL, WE MAKE SITE VISITS. THESE ARE
15 DONE SOMEWHAT RANDOMLY TO INDIVIDUAL GRANTS. THESE
16 ARE PRIMARILY FOR COMPLIANCE TO MAKE SURE ALL OF
17 THEIR FORMS ARE IN ORDER, THAT THE RESEARCH IS
18 MOVING ALONG, THAT THE BUDGET CALCULATIONS ARE BEING
19 DONE, THEY' RE STAYING WITHIN BUDGET, AND SO FORTH.
20 THIS IS JUST THE SORT OF SPOT-CHECKS THAT WE DO.

21 THE MAIN REVIEW IS DONE ANNUALLY. EACH
22 APPLICANT HAS TO REPORT ANNUALLY TO PROVIDE A
23 PROGRESS REPORT WHICH INCLUDES FINANCIAL INFORMATION
24 AND RESEARCH INFORMATION. AND THAT IS REVIEWED.
25 EACH SCIENCE OFFICER IS ASSIGNED TO EACH

BARRISTERS' REPORTING SERVICE

1 APPLICATION. THERE'S A SCIENCE OFFICER ASSIGNED TO
2 EACH APPLICATION, REVIEWS THE PROGRESS REPORT. IF
3 HE OR SHE HAS ANY QUESTIONS ABOUT THE PROGRESS, THEY
4 CONTACT THE PI. THEY LOOK FOR RESPONSE.

5 IN FACT, THERE WAS A REVIEW DONE OF OUR
6 PROCEDURES BY THE STATE AUDIT BUREAU. AND THEY
7 COMMENTED ON THE FACT THAT OUR REVIEW IS MORE
8 RIGOROUS THAN MOST OTHER FUNDING AGENCIES, THAT WE
9 PAY MUCH MORE ATTENTION TO THESE THINGS, AND WE
10 EXAMINE THEM MUCH MORE RIGOROUSLY THAN, SAY, THE NIH
11 DOES. ONE OF THE THINGS THAT WE'VE ENCOUNTERED IS
12 THAT MANY OF OUR INVESTIGATORS ARE USED TO DEALING
13 WITH THE NIH. THE ANNUAL REPORTS ARE PRETTY MUCH
14 PERFUNCTORY. THEY'VE TAKEN THAT ATTITUDE WITH US,
15 AND THEN WE'VE COME BACK TO THEM AND SAID, "NO. NO.
16 NO. NO. THIS IS NOT ADEQUATE. WE NEED TO KNOW
17 EXACTLY WHAT'S HAPPENED." AND THEN IT'S BEEN AN
18 EDUCATION PROCESS, BUT IT CERTAINLY IS PRODUCING
19 GOOD RESULTS.

20 NOW, IN SOME CASES WE HAVE FOUND THAT
21 PROGRESS HAS BEEN LACKING OR THAT THE SCIENCE HAS
22 DRIFTED FAR AWAY FROM THE EXPECTATIONS. NOW, WE ALL
23 KNOW THAT SCIENCE IS HARD TO PREDICT, THE RESULTS
24 ARE HARD TO PREDICT. SO YOU HAVE TO ALLOW THE
25 SCIENTISTS THE ABILITY TO CHANGE THEIR DIRECTION,

BARRISTERS' REPORTING SERVICE

1 AND WE HAVE MECHANISMS TO DO THAT. THEY CAN CONTACT
2 US IF THEY'VE GOT SOME RESULTS THAT THEY DIDN'T
3 ANTICIPATE AND THEY WANT TO CHANGE DIRECTION AS A
4 RESULT OF THAT. WE HAVE A PROCESS FOR THAT. BUT IF
5 THEY DON'T CONTACT US AND WE SEE THAT THEY'RE NOT
6 PROGRESSING ALONG THEIR SPECIFIC AIMS, THEY'RE NOT
7 WORKING TOWARDS ACHIEVING THEIR SPECIFIC AIMS, OR IF
8 THEY'RE JUST GENERALLY NOT MAKING PROGRESS, WE
9 CONTACT THEM ABOUT THAT. AND WE HAVE TERMINATED
10 THREE AWARDS FOR THAT REASON.

11 AND ON THE NEXT SLIDE I HAVE -- IT JUST
12 SHOWS THE PROCEDURE THAT WE HAVE DEVELOPED FOR DOING
13 THIS, WHICH, AGAIN, THE SCIENTIFIC OFFICER HAS
14 CONCERNS THAT THE PROJECT IS NOT ADVANCING. THEY
15 REQUEST SUPPLEMENTAL INFORMATION. THAT GETS
16 DISCUSSED BY THE HEAD OF OUR SCIENCE TEAM AND AS
17 MANY OF THE SCIENCE OFFICERS THAT'S APPROPRIATE FOR
18 THAT PARTICULAR PROJECT. THEY'LL ARRANGE A CALL
19 WITH THE ADMINISTRATIVE OFFICER AND THE PI THAT'S
20 BEING QUESTIONED. THEY PROVIDE MORE TIME FOR MORE
21 DATA TO BE SUBMITTED. IF THERE'S STILL INADEQUATE
22 PROGRESS, THEY THEN PROVIDE THEM A LETTER SAYING
23 WE'RE LOOKING INTO -- WE'RE CONSIDERING TERMINATING
24 THIS AWARD. WE NEED SOME FURTHER INFORMATION FROM
25 YOU. AND IF THAT DOESN'T COME, THEN A TERMINATION

BARRISTERS' REPORTING SERVICE

1 LETTER IS SUBMITTED. SO WE HAVE DEVELOPED A PROCESS
2 FOR EVALUATING THE ONES THAT SEEM TO BE IN TROUBLE.

3 OKAY. SO ANOTHER RISK IS -- AGAIN, THIS
4 IS PRETTY MUCH THE SAME ONE ABOUT NOT MEETING STATED
5 GOALS, BUT THIS REALLY REFERS -- I'M REALLY
6 REFERRING HERE TO SOME OF THE LARGER PROGRAMS THAT
7 WE'RE DOING NOW, LIKE DISEASE TEAMS. THESE PROJECTS
8 ARE UP TO \$20 MILLION EACH OVER FOUR YEARS. SO WE
9 FEEL IT'S REALLY IMPORTANT THAT WE MONITOR THESE.
10 AND THEY'RE EXPECTED TO GET TO A SUBMISSION TO THE
11 FDA AT THE END OF FOUR YEARS. WE WANT TO SEE IF
12 THEY'RE ACTUALLY GOING TO MAKE IT; AND IF THEY'RE
13 NOT GOING TO MAKE IT, WE MAY WANT TO TERMINATE THAT
14 AWARD EARLY, OR WE MAY WANT TO PROVIDE THEM ADVICE
15 ON HOW TO MOVE THE AWARD -- MOVE THEIR PROJECT ALONG
16 IN A MORE EFFICACIOUS MANNER.

17 SO WE HAVE -- WE'RE DEVELOPING FOR THESE
18 DISEASE TEAMS -- ACTUALLY WE HAVEN'T MADE A DISEASE
19 TEAM AWARD YET. THE FIRST AWARDS WILL BE MADE
20 FEBRUARY 1ST. WE'RE GOING TO DEVELOP AN EXPERT
21 OVERSIGHT COMMITTEE THAT WILL INCLUDE, AGAIN,
22 EXPERTS IN THIS CLINICAL RESEARCH FROM AROUND THE
23 COUNTRY TO COME IN. AND THEY'LL BE INVOLVED WITH
24 EVALUATING THESE ON A PERIODIC BASIS EITHER EVERY
25 SIX TO TWELVE MONTHS. THE LARGEST AWARDS, THESE

BARRISTERS' REPORTING SERVICE

1 LARGE AWARDS WILL HAVE MILESTONE-BASED PROGRESS
2 REPORTS, AND ALSO GO/NO-GO DECISIONS WHERE IF THEY
3 DON'T GET THE RESULT THEY ANTICIPATE, REALLY THERE'S
4 NOT A CHANCE THAT WILL MOVE TO THE STATED GOAL OF A
5 SUBMISSION TO THE FDA, THAT WOULD BE A POINT WHERE
6 YOU WOULD TERMINATE THE AWARD. SO THAT PROGRESS IS
7 BEING STARTED.

8 WE'RE ALSO ASKING THOSE PROGRAMS TO SUBMIT
9 TO US ACTIVITY-BASED BUDGETS FOR THE WHOLE PROGRAM.
10 IF THEY NEED FUNDING IN ADDITION TO WHAT CIRM IS
11 PROVIDING TO GET TO THE FDA, WE WANT TO KNOW HOW
12 MUCH THAT IS AND WHERE THAT MONEY IS COMING FROM.
13 WE WANT TO SEE THE ACTIVITY FOR GETTING THE THING
14 THROUGH THE PROGRAM.

15 AND WE ALSO MAKE OUR PAYMENTS QUARTERLY,
16 WHICH WE CHANGED TO THAT SYSTEM WHICH WE THINK IS A
17 BETTER WAY FOR PROTECTING THE STATE'S FINANCES.

18 AND THEN THE LAST ONE GETS BACK TO THIS
19 50-PERSON CAP. AND I WON'T SPEND A LOT OF TIME ON
20 THAT BECAUSE WE'VE TALKED ABOUT IT QUITE A BIT.
21 I'LL CERTAINLY ADDRESS QUESTIONS IF YOU HAVE
22 QUESTIONS ON THIS. BUT THE STRATEGY WE'VE TAKEN
23 HERE, AS WE SAID EARLIER, WAS THAT WE'RE CONCERNED
24 THAT IT'S GOING TO BE DIFFICULT AS OUR PORTFOLIO HAS
25 GROWN TO DO EVERYTHING THAT WE'RE EXPECTED TO DO AT

BARRISTERS' REPORTING SERVICE

1 THE QUALITY LEVEL THAT WE DEMAND OF OURSELVES WITHIN
2 50 PEOPLE.

3 SO WE'RE ALWAYS SORT OF UPDATING OUR
4 STAFF -- STRATEGIC STAFFING PLANS SO THAT WE'RE SORT
5 OF BEST OUTFITTED TO MEET OUR HIGHEST PRIORITIES,
6 WHICH ARE TO DELIVER THE BEST RESEARCH WE CAN TO THE
7 STATE OF CALIFORNIA. AND THEN WE'RE ALSO LOOKING AT
8 OTHER WAYS TO EXPAND OUR ACTIVITIES, AND WE DO IT
9 THROUGH, AS ALREADY CAME UP, THROUGH EXTERNAL
10 CONTRACTS AND CONSULTANTS. WE'RE DOING IT THROUGH
11 I.T. SYSTEMS TO SEE IF WE CAN DEVELOP SYSTEMS THAT
12 ARE MORE EFFICIENT THAT WILL ALLOW US TO SHIFT
13 MANPOWER INTO OTHER AREAS AND ANY OTHER THING THAT
14 WE CAN THINK OF.

15 SO THAT'S ALL I HAD TO SAY. I'D BE HAPPY
16 TO ANSWER MORE QUESTIONS.

17 CHAIRMAN CHIANG: OTHER QUESTIONS?

18 DR. HOLLANDER: MAYBE JUST A COMMENT, AND
19 I'M A NEWCOMER AND I'M NEW LOOKING AT THIS FROM THE
20 OUTSIDE, NOT FROM THE INSIDE. AND HAVING BEEN
21 RUNNING FUNDING PROGRAMS FOR THE BROAD FOUNDATION,
22 HAVING REVIEWED APPLICATIONS AT THE NIH AND THE
23 VETERANS ADMINISTRATION AND FOR FOREIGN GOVERNMENTS,
24 I'M IMPRESSED BY HOW RIGOROUS THE PROGRAM IS. I'M
25 IMPRESSED BY HOW CAREFULLY IT IS DESIGNED TO

BARRISTERS' REPORTING SERVICE

1 ELIMINATE BIASES AS MUCH AS POSSIBLE; AND IT'S NEVER
2 ABSOLUTE, BUT IT'S AS MUCH AS POSSIBLE, THAT'S
3 HUMANLY POSSIBLE.

4 I THINK YOU HAVE A BETTER DESIGN THAN
5 CERTAINLY BETTER FUNDED ORGANIZATIONS LIKE THE
6 NATIONAL INSTITUTE OF HEALTH. I THINK YOU HAVE
7 MANAGED TO SQUEEZE AS MUCH MONEY AS POSSIBLE FOR THE
8 RESEARCH RATHER THAN DEVELOPING A LARGE
9 INFRASTRUCTURE. AND AS AN OUTSIDER, I MUST SAY THAT
10 I'M IMPRESSED WITH WHAT YOU'VE ACHIEVED IN A SHORT
11 TIME AND HOW WELL DESIGNED IT IS TO OVERCOME AS MANY
12 OBSTACLES AS POSSIBLE.

13 IT'S NEVER POSSIBLE TO OVERCOME ALL OF
14 THEM, AND WE CERTAINLY CAN ALWAYS FIND SOME ISSUES
15 AND SOME PROBLEMS IN ANY KIND OF ENTERPRISE, BUT
16 BIOMEDICAL RESEARCH IS VERY COMPLICATED. AND THE
17 SPECIFIC TOPIC OF STEM CELL RESEARCH IS MORE SO THAN
18 MOST BECAUSE OF THE TOPIC AND SUBJECT MATTER AND
19 EMOTIONS AND THE RELIGIOUS ISSUES AND SOCIETAL
20 ISSUES. AND SO I JUST, AS AN OUTSIDER, REALLY AM
21 IMPRESSED BY WHAT YOU HAVE ACHIEVED.

22 CHAIRMAN CHIANG: MR. LOTT.

23 MR. LOTT: IF I MAY, I WOULD ECHO THOSE
24 COMMENTS. I THINK IT'S A TIGHT SHIP YOU'RE RUNNING.
25 BUT I WANT TO GO BACK TO WHAT I MENTIONED EARLIER.

BARRISTERS' REPORTING SERVICE

1 I WOULD REALLY URGE YOUR BOARD TO CONSIDER PUTTING
2 AN INTERNAL COMPLIANCE PROCESS IN PLACE THAT
3 INVOLVES A SUBCOMMITTEE OF THE BOARD. MOST OF THE
4 NGO'S, YOU'RE NOT AN NGO, BUT NGO'S, THE PRIVATE
5 NOT-FOR-PROFIT GRANT-MAKING ORGANIZATIONS, DO THAT.
6 AND IT'S BETTER TO HAVE IT IN-HOUSE, SOMEBODY
7 IN-HOUSE LOOKING AT IT IN ADDITION TO THE EXTERNAL
8 AUDITS THAT YOU HAVE JUST TO KEEP IT TOGETHER.

9 DR. ROBSON: THERE ARE CERTAINLY
10 SUBCOMMITTEES OF THE BOARD THAT REVIEW OUR REGULAR
11 OPERATIONS. THERE'S A FINANCE SUBCOMMITTEE THAT WE
12 TAKE -- MARGARET FERGUSON AND CHILA SILVA MARTIN AND
13 I INTERACT WITH THEM ON A FAIRLY REGULAR BASIS.

14 MR. LOTT: I'M TALKING ABOUT A COMMITTEE
15 THAT'S FOCUSED SOLELY ON COMPLIANCE WITH POLICIES,
16 PROCEDURES, AND PROCESSES.

17 MR. TORRES: POINT WELL TAKEN.

18 DR. LIPSON: AND ALSO THE FACT THAT THE
19 BOARD ITSELF, THE ICOC, IS CUMBERSOME AND THERE'S
20 CONFLICT OF INTEREST BUILT IN BY HAVING
21 REPRESENTATIVES FROM INSTITUTIONS THAT GET FUNDING
22 ON THE BOARD EVEN IF THEY RECUSE THEMSELVES BECAUSE
23 IT'S LIKE AN OLD BOY'S CLUB IN SOME WAYS.

24 DR. ROBSON: I DON'T THINK IT WORKS THAT
25 WAY ON THE BOARD.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN CHIANG: LET ME ASK SOME
2 QUESTIONS. IN LIGHT OF THE DEVELOPMENTS IN THE
3 GLOBAL ECONOMY, WHAT HAS BEEN THE IMPACT OF THOSE
4 ORGANIZATIONS THAT HAVE RECEIVED SOME FUNDING, BUT
5 WERE ALSO REQUIRED TO GET MATCHING FUNDING FOR
6 FACILITIES DEVELOPMENT?

7 DR. ROBSON: OKAY. SO THE FACILITIES
8 PROGRAM, WELL, IT'S INTERESTING. IF YOU READ STUFF
9 THAT'S BEEN WRITTEN ABOUT IT RECENTLY IN THE
10 NEWSPAPER, IT TENDS TO SUGGEST -- FOCUS ON THE FACT
11 THAT WE HAD -- FOUR OF OUR TWELVE PROJECTS HAVE
12 FACED SOME DELAYS. THAT TO ME IS A GLASS HALF EMPTY
13 VIEW OF THIS PROGRAM. THE FACT OF THE MATTER IS
14 THAT EIGHT OF THE PROGRAMS ARE ON TIME AND MAY EVEN
15 COME IN UNDER BUDGET. WE DON'T KNOW THAT FOR SURE
16 YET BECAUSE ONE OF THE IMPACTS OF THE CHANGE IN THE
17 ECONOMY OVER THE LAST YEAR IS THAT CONSTRUCTION
18 COSTS HAVE DECREASED. SO WE MAY -- ACTUALLY THEY
19 MAY COME IN EITHER WITH BIGGER PROJECTS THAN
20 ANTICIPATED OR UNDER BUDGET. BUT, AGAIN, THAT'S
21 SPECULATION. I DON'T REALLY KNOW ABOUT THAT.

22 BUT EIGHT OF THE PROJECTS ARE RUNNING ON
23 TIME. THREE OF THE PROJECTS THAT WERE DELAYED, ONE
24 OF THEM WAS DELAYED BECAUSE THEY REQUESTED A CHANGE
25 IN THE LOCATION OF THE FACILITY. IT WAS TO BE --

BARRISTERS' REPORTING SERVICE

1 THIS WAS AT UC MERCED. IT WAS TO BE BUILT OFF
2 CAMPUS. THEY FACED SOME INCREASED -- UNANTICIPATED
3 INCREASED FUNDING REQUIREMENTS FOR THAT PROJECT AND
4 ASKED IF THEY COULD MOVE IT ON CAMPUS. WE DID A
5 SITE VISIT AND A PRETTY EXTENSIVE REVIEW OF THEIR
6 PLAN AND BROUGHT IN SOME CONSULTANTS, WHO THIS IS A
7 MICROFABRICATION FACILITY, AND BROUGHT IN SOME
8 CONSULTANTS WHO EVERYONE SEEMED TO AGREE THAT WHAT
9 THEY WERE PROPOSING, THE CHANGE THEY WERE PROPOSING
10 WAS BETTER THAN THE ORIGINAL PROJECT. SO THAT GOT
11 APPROVED, BUT THERE WAS A DELAY DURING THAT. AND SO
12 THAT ONE IS DELAYED TO COMPLETION ABOUT ONE YEAR,
13 BUT IT'S ON TRACK NOW. CONSTRUCTION IS UNDER WAY.

14 UC SANTA CRUZ, THERE WAS A DELAY THERE.
15 THE STEM CELL FACILITY IS PART OF A LARGER
16 BIOMEDICAL BUILDING THAT'S GOING UP. IT'S ONE FLOOR
17 IN THAT BUILDING. THAT GOT DELAYED BECAUSE OF STATE
18 FUNDING ISSUES, BUT BONDS WERE ISSUED FOR THAT IN
19 AUGUST, I BELIEVE, JULY OR AUGUST, AND THAT PROJECT
20 IS NOW GOING. SO, AGAIN, THE DELAY ON THAT IS ABOUT
21 ONE YEAR FROM WHAT THEY HAD ORIGINALLY PROPOSED.

22 THE THIRD PROJECT WAS THE SANFORD
23 CONSORTIUM IN SAN DIEGO. THIS IS A CONSORTIUM
24 BETWEEN UNIVERSITY OF CALIFORNIA SAN DIEGO, THE SALK
25 INSTITUTE, SCRIPPS, AND THE BURNHAM. THAT ONE WAS

BARRISTERS' REPORTING SERVICE

1 HELD UP BECAUSE THEY WERE HAVING FINANCIAL PROBLEMS
2 RAISING THE MONEY THEY NEEDED. WE NEGOTIATED, WE
3 WORKED WITH THEM. THEY THEN GOT AN AGREEMENT FROM
4 THE UC SYSTEM TO HELP THEM RAISE MONEY THROUGH BONDS
5 AND TO GUARANTEE THAT MONEY, AND THAT PROJECT IS NOW
6 UNDER CONSTRUCTION. THAT ONE IS ALSO DELAYED ABOUT
7 A YEAR FROM ITS ORIGINAL.

8 SO THOSE THREE WERE DELAYED ABOUT A YEAR,
9 BUT THEY'RE ALL GOING NOW. THE ONE THAT STILL
10 REMAINS IS THE BUCK INSTITUTE. THEY ARE -- HAVE HAD
11 DIFFICULTY, AGAIN, FOR FINANCIAL REASONS RAISING
12 THEIR MATCHING FUNDS. THEY SHOULD -- THEY PUT IN AN
13 APPLICATION TO THE NIH FOR PART OF THE STIMULUS
14 FUNDS. THEY HAVEN'T HEARD -- THEY GOT A PRELIMINARY
15 REVIEW ON THAT. THEY PUT IN A REQUEST FOR \$15
16 MILLION. THE PRELIMINARY REVIEW WAS THAT THEY
17 PASSED THE FIRST HURDLE. THE SECOND HURDLE THEY
18 HOPE TO HEAR THIS MONTH. SO IT SHOULD BE ANY DAY
19 NOW THEY SHOULD GET INDICATION ABOUT WHETHER OR NOT
20 THEY'RE GOING TO GET FUNDS AND, IF SO, HOW MUCH OF
21 THAT 15 MILLION THEY GET.

22 BUT THEY HAVE A COMMITMENT FROM THEIR
23 BOARD TO RAISE THE ADDITIONAL MONEY. SO WE HAVE AN
24 AGREEMENT WITH THEM THAT THEY MUST START THE
25 PROJECT, IF THEY WANT CIRM'S MONEY, THEY HAVE TO

BARRISTERS' REPORTING SERVICE

1 START THE PROJECT BY MARCH 31ST OF THIS YEAR AND
2 WITH A COMPLETION DATE NO LATER THAN MARCH 31ST OF
3 2012. THAT'S THE STATUS ON THAT ONE. WE'LL KNOW
4 THE FINAL WORD ON THAT WITHIN THE NEXT TWO MONTHS.

5 CHAIRMAN CHIANG: VERY GOOD. AND CAN YOU
6 GIVE ME AN UPDATE ON WHAT'S HAPPENING WITH YOUR
7 GRANTS MANAGEMENT SYSTEM?

8 DR. ROBSON: THE GRANTS MANAGEMENT SYSTEM,
9 SURE. THIS HAS BEEN A LONG PROCESS, AND IT'S BEEN
10 SOMEWHAT DIFFICULT FOR US, BUT WE'VE MADE SOME
11 TERRIFIC HEADWAY, I THINK, IN THE LAST YEAR.

12 ONE OF THE AREAS WHERE WE WERE MOST
13 LACKING IN OUR GRANTS MANAGEMENT WAS IN THE
14 POST-AWARD COMPONENT. WE DIDN'T HAVE ALL OF OUR
15 EARLY-ON -- THE FIRST RFA'S WERE JUST DONE ON
16 SPREADSHEETS. EACH ONE WAS A SEPARATE SPREADSHEET.
17 THERE WAS REALLY NO WAY TO ANALYZE OUR PORTFOLIO
18 ACROSS RFA'S OTHER THAN TO SIT DOWN WITH THE
19 SPREADSHEET AND DO IT BY HAND.

20 WE HAVE IN THE LAST SIX MONTHS BEEN
21 IMPLEMENTING A SYSTEM TO MANAGE THIS ELECTRONICALLY,
22 THAT WE ARE IN THE REALLY VERY FINAL STAGES, I MEAN
23 LIKE THIS WEEK, OF TRANSFERRING THE LAST OF THE
24 INFORMATION FROM THE OLD SYSTEM INTO THE NEW SYSTEM,
25 BUT WE'RE USING THAT SYSTEM NOW. AND IT'S A HUGE

BARRISTERS' REPORTING SERVICE

1 STEP FORWARD FOR US. WE CAN NOW LOOK AT
2 INVESTIGATORS, WE CAN LOOK AT OUR INVESTIGATORS AND
3 SEE EASILY WITH A PUSH OF A BUTTON HOW MANY PROGRAMS
4 THEY' RE INVOLVED WITH, WE CAN LOOK AT HOW MANY
5 PROGRAMS ARE INVOLVED WITH VARIOUS DISEASES. YOU
6 NAME IT, WE CAN FIND IT NOW REALLY VERY QUICKLY
7 WHERE BEFORE IT WAS VERY MUCH A LABOR INTENSIVE
8 PROCESS.

9 PART OF THE GRANTS MANAGEMENT SYSTEM THAT
10 WE' RE STILL INVESTIGATING A BIT IS THE APPLICATION
11 PART. WE HAVE A SYSTEM THAT WORKS AND WE' RE USING
12 THAT, BUT IT' S NOT A FULLY INTEGRATED WEB-BASED
13 SYSTEM, WHICH IS WHAT WE WOULD LIKE. AND WE ARE
14 INVESTIGATING TWO OPTIONS RIGHT NOW. ONE IS TO BUY
15 A COMMERCIAL SYSTEM, AND WE HAVE IDENTIFIED ONE WE
16 THINK IS PROBABLY THE LEADING CANDIDATE OF THE ONES
17 WE' VE BEEN ABLE TO FIND, OR WHETHER OR NOT WE' RE
18 GOING TO HAVE TO DO THIS IN-HOUSE.

19 ONE OF THE PROBLEMS WE FACE IS THAT
20 BECAUSE WE' RE AN EVOLVING ORGANIZATION, OUR
21 PROCESSES KEEP CHANGING. AND THESE COMMERCIAL
22 SYSTEMS, SOME OF THEM, DON' T ADAPT AS EASILY TO
23 CHANGE. SO GETTING -- YOU KNOW, IF WE HAVE A NEW
24 PROCEDURE WE HAVE TO ADAPT, IT BECOMES DIFFICULT TO
25 THEN RETROFIT IT INTO THE SYSTEM. THAT WOULD BE A

BARRISTERS' REPORTING SERVICE

1 REASON TO DO IT IN-HOUSE, BUT WE HAVE A SYSTEM, A
2 COMMERCIAL ONE, WE THINK MAY BE FLEXIBLE ENOUGH TO
3 DEAL WITH OUR CHANGING PROCESSES.

4 THE KIND OF THINGS THAT HAPPEN WAS WE JUST
5 INITIATED A LOAN PROGRAM. LAST YEAR WE INITIATED
6 FOREIGN COMPANY FUNDING PARTNERS. WE INITIATED
7 CO-PRINCIPAL INVESTIGATORS. SO THOSE THINGS ARE
8 CHANGES INTO THE SYSTEM. SO WE SHOULD HAVE A
9 DECISION ON THAT WITHIN THE NEXT MONTH.

10 CHAIRMAN CHIANG: WHAT CAPABILITIES DO YOU
11 NEED TO ADD FROM THE CURRENT SYSTEM THAT YOU HAVE TO
12 THE COMMERCIAL SYSTEM THAT YOU'RE LOOKING AT
13 PURCHASING?

14 DR. ROBSON: WELL, WE'RE DOING -- WHAT
15 WE'RE DOING IS A GAP ANALYSIS TO SEE IF THEIR SYSTEM
16 CAN HANDLE ALL OF OUR PROCESSES. AND THEN IF WE
17 IDENTIFY SOME THAT THEY CAN'T, AND THERE SEEM TO BE
18 SOME THAT THEY CAN'T, WE'LL THEN GO TO THEM AND SAY
19 WHAT WOULD IT COST TO DO THIS, TO ADD THIS TO IT?
20 SO THAT'S THE ANALYSIS WE'RE DOING RIGHT NOW.

21 THE OTHER SIDE OF IT IS WE HAVE TO ANALYZE
22 HOW MUCH IT WOULD COST AND HOW LONG IT WOULD TAKE TO
23 BUILD ONE IN-HOUSE. SO THAT'S GOING TO BE THE
24 JUDGMENT WE'RE GOING TO HAVE TO MAKE.

25 CHAIRMAN CHIANG: HAVE YOU DONE A STUDY ON

BARRISTERS' REPORTING SERVICE

1 THE COST DIFFERENTIAL BETWEEN YOUR CONTRACTING OUT
2 FOR CERTAIN WORK AND THE -- IF YOU HAD THE ABILITY
3 TO ADD STAFF TO PERFORM THOSE TASKS?

4 DR. ROBSON: I GUESS, NO, WE HAVE NOT DONE
5 THAT BECAUSE WE HAVEN'T REALLY FELT WE HAD THE
6 ABILITY TO ADD STAFF. SO IT HASN'T -- IT HASN'T
7 BEEN AN ANALYSIS THAT WE HAVE FOCUSED ON.

8 CHAIRMAN CHIANG: YOU PLACE -- YOU HAVE A
9 STRATEGIC FOCUS ON SCIENTIFIC GOALS. YOU ALSO
10 STATED OBJECTIVES FOR THE OPERATIONAL EXCELLENCE.
11 WHAT, IN TERMS OF STRATEGIC PLANS, DO YOU HAVE
12 PUBLICLY SO THAT WE CAN TRACK THE OPERATIONAL
13 EXCELLENCE?

14 DR. ROBSON: WELL, WE DO -- ALL OF OUR
15 MEETINGS ARE HELD IN PUBLIC. OUR BUDGET IS REVIEWED
16 IN PUBLIC. OUR CONTRACTS ARE ALL APPROVED IN PUBLIC
17 MEETINGS.

18 CHAIRMAN CHIANG: LET ME ASK THE -- WHAT
19 ARE THE MAJOR AREAS OF IMPROVEMENT, IF ANY, OR AREAS
20 OF IMPROVEMENT THAT YOU'RE TARGETING AND HOW SO?

21 DR. ROBSON: SO I THINK THE AREAS THAT
22 WE'RE TARGETING RIGHT NOW ARE TO FINISH THE GRANTS
23 MANAGEMENT INSTALLATION OF THE GRANTS MANAGEMENT
24 SYSTEM. THAT'S ONE OF OUR PRIMARY FOCI RIGHT NOW.
25 AND ANOTHER ONE IS TO DEVELOP OVERSIGHT FOR THESE

BARRISTERS' REPORTING SERVICE

1 LARGE PROGRAMS AND MANAGING THE OVERSIGHT FOR OUR
2 RESEARCH PROGRAMS. AND THAT REALLY INVOLVES
3 RECRUITMENT OF A VP FOR R & D AND THE STAFF TO
4 SUPPORT THAT PERSON. AND THAT'S A PRIMARY FOCUS OF
5 OUR WORK RIGHT NOW.

6 CHAIRMAN CHIANG: NOW, IT'S IMPORTANT THAT
7 WE HAVE COLLABORATION BETWEEN THE INSTITUTE, BETWEEN
8 BUSINESS, BETWEEN THE PUBLIC INTEREST, AND THE
9 BENEFICIARIES. HOW DO YOU ENSURE THAT TYPE OF
10 COLLABORATION?

11 DR. ROBSON: WELL, WE DO IT THROUGH OPEN
12 MEETINGS. WE HAVE MEETINGS WITH -- WE'VE
13 IDENTIFIED, FOR EXAMPLE, WITH OUR LOAN PROGRAM, WE
14 HAD A MEETING JUST A FEW WEEKS AGO WITH BIOTECH
15 COMPANIES SO THAT THEY COULD COME AND MAKE TESTIMONY
16 TO US ABOUT WHAT PROBLEMS OR MISUNDERSTANDINGS THEY
17 HAD WITH OUR LOAN PROGRAM. AND WE'VE ADAPTED THAT.
18 WE'VE MADE SOME SIGNIFICANT CHANGES IN THAT PROGRAM
19 WHICH ARE GOING TO BE DISCUSSED AT OUR ICOC MEETING
20 NEXT WEEK. SO WE HAVE COLLABORATIVE MEETINGS THAT
21 WAY. OF COURSE, OUR BOARD MEETINGS ARE ALL OPEN.
22 AND I -- ANYONE ELSE?

23 MS. KING: JOHN, YOU MIGHT WANT TO TALK A
24 LITTLE BIT ABOUT THE STRATEGIC PLAN UPDATE AND HOW
25 WE HAD A SERIES OF MEETINGS.

BARRISTERS' REPORTING SERVICE

1 DR. ROBSON: I DID MENTION THAT EARLIER,
2 THAT WE DID HAVE AN UPDATE OF OUR STRATEGIC PLAN
3 THIS YEAR THAT WILL -- THAT INVOLVED ALL THE
4 STAKEHOLDERS HAVING THE OPPORTUNITY AND SEVERAL
5 MEETINGS FOR THAT. AND WE HAVE AN EXTERNAL REVIEW
6 THIS YEAR, AND THE RESULTS OF THAT WILL BE PRESENTED
7 TO THE BOARD AND WILL BE OPEN -- AGAIN, IN AN OPEN
8 SESSION. THAT WILL BE AVAILABLE FOR THE PUBLIC TO
9 EVALUATE OUR EVALUATION.

10 CHAIRMAN CHIANG: POTENTIALLY I SEE
11 GROWING TENSION AS WE HAVE FURTHER DEVELOPMENTS
12 ESPECIALLY IN THE PRIVATE SECTOR AND THE BENEFITS
13 THAT ACCRUE IN THE PUBLIC INTEREST. AND SO I THINK
14 IT'S VERY IMPORTANT THAT PEOPLE FEEL THEY HAVE
15 ACCESSIBILITY, THAT THERE'S ACCOUNTABILITY, AND THAT
16 THEY SEE DELIVERABLES.

17 DO YOU WANT TO COMMENT ON -- YOU KNOW, THE
18 PRESENTATION EARLIER WAS INSTRUCTIVE; BUT WHEN DO
19 YOU SEE DELIVERABLES THAT I THINK PEOPLE IN THE
20 CALIFORNIA GENERAL PUBLIC WILL SAY, OH, YOU KNOW,
21 I'M GETTING BANG FOR THE BUCK THAT'S BEEN INVESTED?

22 DR. ROBSON: YEAH. YEAH. SO ONE THING
23 WE'RE DOING IN THAT AREA IS WE'VE COMMISSIONED TO
24 HAVE AN ECONOMIC IMPACT STUDY DONE. AND THAT IS --
25 IT'S JUST GETTING STARTED, BUT THE FIRST STEP ON

BARRISTERS' REPORTING SERVICE

1 THAT WAS TO DO A TEST CASE ANALYSIS OF ACTUALLY THE
2 WORK YOU SAW FROM DR. JAMIESON ON POLYCYTHEMIA VERA
3 AND MYELOFIBROSIS THAT ART MENTIONED.

4 SO THE ANALYSIS THAT'S BEING DONE IS
5 REALLY THE DIRECTIVE ECONOMIC IMPACT OF THE FUNDING
6 WE PROVIDED TO THAT PROGRAM; THAT IS, THE JOBS THAT
7 ARE CREATED, THE TAX REVENUES THAT ARE PRODUCED FROM
8 THOSE FUNDS, BUT ALSO TO LOOK AT THE INCREASED
9 PRODUCTIVITY THAT COULD BE -- THAT WOULD RESULT FROM
10 THAT TREATMENT IF IT'S AS SUCCESSFUL AS IT APPEARS
11 IT'S GOING TO BE FROM THE PATIENTS AND ALSO THE
12 SAVINGS TO THE HEALTHCARE SYSTEM THAT WE WOULD
13 ACCRUE FROM THAT WORK.

14 SO THAT'S CERTAINLY ONE OF THE THINGS THAT
15 WE'RE FOCUSED ON. WE WANT TO BE ABLE TO DEVELOP A
16 MODEL, A STRONG MODEL FOR DOING THIS SORT OF
17 ANALYSIS. OUR PLANS ARE, ONCE WE HAVE THIS TEST
18 CASE, IS TO BRING IN SOME EXTERNAL EXPERTS, ECONOMIC
19 EXPERTS, TO REALLY CRITIQUE THE MODEL, THESE BEING
20 DEVELOPED, THEN TWEAK IT AS NECESSARY, AND THEN
21 WE'LL BE ABLE TO APPLY THAT MODEL TO OTHER DISEASES
22 AND OTHER ADVANCES AS WE MOVE FORWARD. SO WE HOPE
23 THAT THAT WILL GIVE A REALLY GOOD CONCRETE INDICATOR
24 OF THE PROGRAMS THAT ARE SUCCESSFUL, THE KIND OF
25 BENEFITS, ECONOMIC BENEFITS, THAT THEY'LL PRODUCE.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN CHIANG: SORT OF ALONG THIS LINE,
2 LAST TIME WE MET, IT WAS MENTIONED THAT YOU HAD AN
3 RFA OUT FOR ENTERPRISE RISK ASSESSMENT. AND SO I
4 WANTED TO GET A SENSE OF WHERE THAT WAS.

5 DR. ROBSON: I THINK THAT'S RELATED TO OUR
6 I.T.

7 CHAIRMAN CHIANG: SO ONLY I.T.

8 DR. ROBSON: YEAH.

9 CHAIRMAN CHIANG: OKAY. I THOUGHT THERE
10 WAS GOING TO BE BENCHMARKS FOR HOW YOU TRY TO
11 IDENTIFY SUCCESS.

12 DR. ROBSON: NO. NO. THAT WAS REALLY --
13 THAT WAS AROUND OUR I.T. SYSTEMS.

14 CHAIRMAN CHIANG: THAT'S MY LINE OF
15 QUESTIONING. ANY OTHER ADDITIONAL QUESTIONS?

16 DR. HOLLANDER: ONE MINOR QUESTION. DO
17 YOU HAVE ANYONE SPECIFICALLY WORKING ON PUBLIC
18 INFORMATION AND PUBLICITY?

19 DR. ROBSON: YES. WE HAVE A
20 COMMUNICATIONS DIVISION. DON GIBBONS IS HERE. HE'S
21 THE HEAD OF THAT, AND HE HAS TWO STAFF WHO WORK WITH
22 HIM.

23 DR. HOLLANDER: GOOD. BECAUSE I THINK
24 THAT'S VERY IMPORTANT ACTIVITY SINCE THERE'S SO MUCH
25 MISINFORMATION WITHIN THE PUBLIC AS TO WHAT IS

BARRISTERS' REPORTING SERVICE

1 HAPPENING AND WHAT THE RESEARCH IS ABOUT AND THE
2 FRUITS OF THE RESEARCH EVENTUALLY.

3 CHAIRMAN CHIANG: I JUST THINK IT'S
4 INCREDIBLY CHALLENGING THE DEPTH AND DETAIL AND
5 SCOPE OF WHAT'S INVOLVED. SO ALONG THOSE LINES, I
6 THINK IT'S CRITICALLY IMPORTANT THAT THERE'S
7 TRANSPARENCY. AS HARD AS YOU WORK AT IT, IT'S JUST
8 DIFFICULT FOR PEOPLE WHO DON'T FOLLOW THIS. SO ANY
9 TIME ANY OF US INVOLVED IN PUBLIC POLICY WORK IN
10 THAT DOMAIN, IT'S EASILY MISINTERPRETED. AND SO THE
11 MORE TRANSPARENCY, THE MORE ACCESSIBILITY, THE
12 BETTER.

13 DR. ROBSON: WE TRY TO BE TRANSPARENT. I
14 HAVE TO SAY FROM OTHER ORGANIZATIONS WHERE I'VE
15 WORKED, WE ARE VERY TRANSPARENT.

16 MR. TORRES: WE'RE ALSO IN THE PROCESS OF
17 ESTABLISHING A SUBCOMMITTEE OF THE BOARD ON
18 COMMUNICATIONS AND WORKING WITH DON GIBBONS AND
19 OTHERS BECAUSE OF THE POINTS THAT YOU RAISED
20 EARLIER, NOT JUST TODAY, BUT BEFORE AS WELL ON OUR
21 NEED, AS DR. HOLLANDER EXPRESSED AS WELL, NOT ENOUGH
22 PEOPLE KNOW WHAT WE'RE DOING. THEY DON'T KNOW HOW
23 FISCALLY RESPONSIBLE WE ARE IN TERMS OF THE
24 MANAGEMENT OF THE MONEY. WE'VE JUST GOT TO GET THAT
25 MESSAGE OUT, AND SO WE'RE PUTTING SOME OF THE BOARD

BARRISTERS' REPORTING SERVICE

1 MEMBERS, WHICH INCLUDE SHERRY LANSING, LEEZA
2 GIBBONS, AND OTHERS, WOMEN, WHO HAVE HAD INCREDIBLE
3 EXPERIENCE IN COMMUNICATIONS TO BRING SOME THOUGHTS
4 TOGETHER ON HOW TO MAKE THAT HAPPEN.

5 CHAIRMAN CHIANG: THANK YOU. NEXT ITEM IS
6 THE LITTLE HOOVER COMMISSION REPORT. WE'LL BEGIN
7 THE DISCUSSION BY INVITING A REPRESENTATIVE FROM THE
8 LITTLE HOOVER COMMISSION.

9 MR. DROWN: I'LL TRY TO USE THIS. GOOD
10 AFTERNOON. THANK YOU VERY MUCH FOR INVITING ME. MY
11 NAME IS STUART DROWN. I'M THE EXECUTIVE DIRECTOR OF
12 THE LITTLE HOOVER COMMISSION.

13 THE COMMISSION WAS FORMED IN 1962 BY
14 GOVERNOR PAT BROWN AND MILTON MARKS AND BY THE
15 LEGISLATURE. AND IT HAS -- IT'S AN INDEPENDENT
16 STATE AGENCY, 13 MEMBERS APPOINTED BY THE GOVERNOR
17 AND THE LEGISLATURE. NINE OF THEM ARE PRIVATE
18 CITIZENS WHO HAVE HAD ACCOMPLISHED CAREERS, AND THEY
19 ADD A GREAT DEAL TO THE PROCESS, AND THEY ARE
20 BASICALLY THE HEART OF THE COMMISSION, THE EXPERTISE
21 AND THE ANALYSIS THAT THEY BRING. IT'S A BIPARTISAN
22 BOARD. BY STATUTE THE COMMISSION FOCUSES ON
23 EFFECTIVENESS AND ORGANIZATION.

24 WE SPEND A LOT OF TIME FOCUSING ON
25 GOVERNANCE AND LOOKING AT THE GOVERNANCE THROUGH THE

BARRISTERS' REPORTING SERVICE

1 LENS OF THE EFFICIENCY, ACCOUNTABILITY, AND
2 TRANSPARENCY. ONE OF THE THINGS THAT COMES UP
3 CONSTANTLY IN THE COMMISSION'S WORK IS THE ABILITY
4 OF GOVERNMENT ORGANIZATIONS TO DEAL WITH CHANGE, TO
5 ANTICIPATE CHANGE. IN GENERAL, THE COMMISSION
6 CHOOSES ITS OWN STUDY TOPICS, AND IT TRIES TO DO
7 FOUR OR FIVE STUDIES A YEAR.

8 IN THIS CASE THE COMMISSION WAS ASKED BY
9 SENATORS SHIELA KUEHL AND GEORGE RUNNER TO EXAMINE
10 CIRM WITH AN EYE TOWARDS LOOKING AT -- TO MAKE
11 GOVERNANCE RECOMMENDATIONS ON STRUCTURE, TO BETTER
12 ENSURE PUBLIC ACCOUNTABILITY, AND TO REDUCE
13 CONFLICTS OF INTEREST.

14 CIRM, AS YOU WERE QUICK TO LEARN, HAS HAD
15 SIGNIFICANT EXAMINATION OF ITS OPERATIONS BY THE
16 CONTROLLER'S OFFICE AS WELL AS THE BUREAU OF STATE
17 AUDITS AND OTHERS. AND SO WE SPENT A GREAT DEAL OF
18 TIME DISCUSSING THE SCOPE AND HOW WE COULD BEST ADD
19 VALUE TO THE DISCUSSION. AND GIVEN OUR TRADITIONAL
20 ROLE, WE FOCUSED ON GOVERNANCE.

21 IN DOING SO, WE DID NOT REEXAMINE SOME OF
22 THE EARLIER CONTROVERSIES OVER PROP 71. WE
23 STIPULATED THAT THE VOTERS HAD ENDORSED THIS IDEA
24 AND THAT THE GOAL OF OUR RECOMMENDATIONS WAS TO COME
25 UP WITH SUGGESTIONS TO ENHANCE THE GOVERNANCE TO

BARRISTERS' REPORTING SERVICE

1 PROPEL CIRM'S SUCCESS THAT'S VERY MUCH GUIDED BY THE
2 EFFORT TO ENSURE THAT PROPOSITION 71 WAS SUCCESSFUL
3 AS THE VOTERS HAD IT.

4 AS A RESULT, WE ALSO DIDN'T LOOK AT THE
5 INTELLECTUAL PROPERTY ASPECTS OF THIS. THIS IS
6 SOMETHING THAT HAD BEEN EXAMINED, AND YOU HEARD SOME
7 DISCUSSION OF THE RIGOROUS PROCESS THAT CIRM HAS
8 ALREADY GONE THROUGH. LIKEWISE, WE DID NOT LOOK AT
9 THE LEGALITY OF THE BOARD MEMBERSHIP. THAT'S BEEN
10 LITIGATED. SO THAT WAS SETTLED BY THE COURTS.

11 WHAT WE FOUND IS THAT CIRM IS A MATURING
12 ORGANIZATION. IT'S MOVED OUT OF ITS START-UP PHASE
13 AND IT'S NOW WELL ON ITS OPERATIONAL PHASE. IT IS
14 SUCCESSFUL IN GETTING MONEY OUT THE DOOR QUICKLY.
15 IT'S BEEN VERY SUCCESSFUL IN MATCHING PRIVATE
16 DOLLARS AND DONATIONS TO STATE BOND MONEY. IT'S
17 INVESTED IN INTELLECTUAL AND PHYSICAL INFRASTRUCTURE
18 THAT WILL KEEP CALIFORNIA AT THE FOREFRONT OF
19 MEDICAL RESEARCH, PUTTING MONEY INTO A SKILLED
20 WORKFORCE THROUGH COLLEGES AND UNIVERSITIES,
21 INVESTING IN BASIC RESEARCH, AND HEADING INTO
22 TRANSLATIONAL SCIENCE. IT'S A FASCINATING ECONOMIC
23 DEVELOPMENT POLICY. IT'S ALSO VERY NEW TERRITORY
24 FOR CALIFORNIA, AND IT HAS IMPLICATIONS FOR SUCH
25 ATTEMPTS TO HAVE AN INDEPENDENT KIND OF RESEARCH

BARRISTERS' REPORTING SERVICE

1 AGENCY. SO WE FEEL THAT THE LESSONS TO BE LEARNED
2 FROM CIRM AND THE RECOMMENDATIONS THAT WE MAKE CAN
3 BE USEFUL BEYOND JUST CIRM.

4 AS WE WENT THROUGH THE STUDY, AND THE
5 STUDY INVOLVED A HEARING, ATTENDING SEVERAL CIRM
6 ICOC MEETINGS, AND MEETING WITH A LOT OF
7 STAKEHOLDERS, AS WELL AS INTERVIEWING MANY MEMBERS
8 OF THE ICOC, WE FOUND THAT A LOT OF THE ATTENTION
9 AND A LOT OF THE PERCEPTIONS ABOUT CIRM WERE BASED
10 ON THINGS THAT HAD HAPPENED FIVE YEARS AGO. AND
11 THERE WASN'T AS MUCH ATTENTION, THERE WASN'T MUCH
12 FOCUS ON WHERE CIRM IS NOW AND WHERE IT'S GOING.
13 AND SO WE THOUGHT, THE COMMISSION FELT THAT THERE
14 WERE BIG, UNANSWERED QUESTIONS ABOUT THE FUTURE OF
15 THIS EXPERIMENT AND WHAT WOULD HAPPEN WITH PROP 71.

16 AND MOST SPECIFICALLY IS WILL CIRM EXIST
17 PERMANENTLY, AND WHAT WILL HAPPEN IF THE BOND MONEY
18 RUNS OUT, AND HOW WILL IT RAISE MONEY TO PERPETUATE
19 ITSELF IF THAT'S WHAT IT WANTS? AND HOW CAN WE BE
20 SURE THAT THOSE ACTIONS ARE IN KEEPING WITH PROP 71?
21 AND SO THIS IS WHAT REALLY FRAMED THE COMMISSION'S
22 DISCUSSION ABOUT GOVERNANCE.

23 AT THIS POINT THE LIFE SPAN OF CIRM IS
24 ALMOST HALFWAY OVER GIVEN THE ORIGINAL TEN-YEAR
25 TIMEFRAME THAT IT LAID OUT. SO IT'S AN IMPORTANT

BARRISTERS' REPORTING SERVICE

1 TIME TO HAVE THESE DISCUSSIONS. AND WE THOUGHT IT
2 WAS IMPORTANT TO SEE WHO WAS MAKING THESE DECISIONS
3 AS THE AGENCY MOVES FORWARD, AND ARE THE DISCUSSIONS
4 HAPPENING OPENLY?

5 THE INSTITUTE HAS COME A LONG WAY IN
6 RESPONSE TO CRITICISM, BUT ALSO BECAUSE OF
7 CONSCIENTIOUSNESS OF PEOPLE ON ITS STAFF. IT'S A
8 VERY OPEN PROCESS IN MANY RESPECTS, AND THEY POST AN
9 INCREDIBLE AMOUNT OF INFORMATION ONLINE. SO IT
10 IS -- IT'S AN ORGANIZATION THAT LISTENS AND FACTORS
11 OBSERVATIONS, CRITICISMS, SUGGESTIONS INTO ITS
12 OPERATIONAL MODE.

13 PROPOSITION 71 -- YOU ALL HAVE COPIES OF
14 OUR REPORT, I BELIEVE. I'D LIKE YOU TO JUST TURN IT
15 OVER. WE DO FOR THE LAST WORD EVERY TIME TO PAT
16 BROWN. AND IN TALKING ABOUT IT, DEMOCRACY ITSELF IS
17 THE PROCESS OF CHANGE, AND SATISFACTION AND
18 COMPLACENCY ARE THE ENEMIES OF GOOD GOVERNMENT.

19 IT'S HARD TO IMAGINE NOW IN JANUARY OF
20 2010 WHAT THE ATMOSPHERE WAS LIKE WHEN PROPOSITION
21 71 WAS BEING WRITTEN AND WHEN IT WAS TAKEN TO THE
22 VOTERS. AND THE PROPOSITION VERY MUCH REFLECTS THE
23 ATMOSPHERE THEN. AND THE CONCERN OF THE
24 COMMISSIONERS WAS IT WAS A RIGID STRUCTURE THAT
25 ALLOWED CIRM TO GET GOING AND PROTECTED IT SO THAT

BARRISTERS' REPORTING SERVICE

1 IT COULD GET OFF THE GROUND AND ALLOWED IT TO
2 SURVIVE SOME FAIRLY HAIRY EARLY YEARS.

3 BUT NOW THAT THE INSTITUTE IS UP AND
4 RUNNING, THAT THE VERY KIND OF STRUCTURE AND
5 PROTECTIONS THAT GAVE IT THIS KIND OF FAST START NOW
6 MAY INHIBIT IT FROM REACHING ITS FULL SUCCESS.

7 AND YOU HEARD SOME ABOUT THE 50-EMPLOYEE
8 CAP, AND THAT IS ONE OF OUR RECOMMENDATIONS. ALSO,
9 WE FOUND THAT THE 29-MEMBER BOARD, WHICH IS
10 EXTREMELY IMPORTANT IN BRINGING TOGETHER THE
11 EXPERTISE AND BUILDING KIND OF THE SPACE FOR CIRM,
12 IS TOO BIG. AND THEY HAVE HAD TROUBLE MEETING
13 QUORUMS. AT THIS POINT THE COMMISSION FELT OR AT
14 THE TIME OF THE STUDY THE COMMISSION FELT THAT THE
15 BOARD LACKS TRULY INDEPENDENT VOICES TO BALANCE OUT
16 THOSE OF INTERESTED BOARD MEMBERS.

17 THERE IS A PERCEPTION THAT CIRM IS AN
18 INSIDER'S CLUB, AND THAT WILL CONTINUE TO UNDERMINE
19 THE LEGITIMACY OF THE ORGANIZATION DESPITE ALL THE
20 WORK THAT THEY HAVE DONE TO KIND OF SHIELD
21 INFORMATION AND TO MAKE SURE THAT THE SELECTION
22 PROCESS ON THE GRANTS AND LOANS IS SCRUPULOUSLY AND
23 RIGOROUSLY DONE.

24 BUT AS IT HAPPENS AT THIS POINT, THERE'S
25 NO COMPELLING REASON TO HAVE THE INSTITUTIONS THAT

BARRISTERS' REPORTING SERVICE

1 RECEIVE THE FUNDS SO HEAVILY REPRESENTED ON THE
2 ICOC. THE COMMISSION FOUND THAT THE FOUNDING BOARD
3 MEMBERS' TERMS ARE TOO LONG, SIX TO EIGHT YEARS, AND
4 NOT CONDUCTIVE TO ADDING FRESH PERSPECTIVES ABOUT THE
5 AGENCY'S FUTURE AT A TIME WHEN THE POLITICS AND THE
6 SCIENCE OF STEM CELL RESEARCH ARE CHANGING SO
7 QUICKLY.

8 WE FOUND THAT MULTIPLE APPOINTING
9 AUTHORITIES CLOUD ACCOUNTABILITY. WE FOUND THAT THE
10 BOARD CHAIR, THE WAY IT'S STRUCTURED IN THE
11 PROPOSITION, HAVING HIM OR HER, AS IT HAPPENS TO BE,
12 IN THE FUTURE INVOLVED IN DAY-TO-DAY MANAGEMENT IS
13 PROBLEMATIC GIVEN THAT THE BOARD IS SUPPOSED TO BE
14 INDEPENDENT AND EXERCISE OVERSIGHT. SO HAVING THE
15 CHAIR INVOLVED IN DAY-TO-DAY MANAGEMENT CAN
16 COMPLICATE THAT AND INVOLVE MORE CONVERSATIONS AND
17 COMMUNICATION THAN IS NECESSARY.

18 WE FOUND THAT THE 50-PERSON STAFFING CAP
19 WAS A GOOD SELLING POINT FOR THE PROPOSITION, BUT IN
20 THE END WAS ARBITRARY AND HAS LED TO POTENTIAL
21 OVERRELIANCE ON MORE OUTSIDE CONTRACTORS AND
22 ATTORNEYS. AND GIVEN OUR EXAMINATION OF THE STUDIES
23 AND THE AUDITS OF THE INSTITUTE AS WELL AS THE FACT
24 THAT THEY'RE SPENDING THEIR MONEY VERY EFFICIENTLY,
25 THE COMMISSION FELT THAT THE 6-PERCENT CAP WAS AN

BARRISTERS' REPORTING SERVICE

1 ADEQUATE WAY TO MANAGE THAT AND THAT CIRM HAS
2 DEMONSTRATED THAT IT CAN MANAGE ITS MONEY WITHIN
3 THAT CAP AND SHOULD HAVE THE FREEDOM TO GO MORE THAN
4 50 EMPLOYEES.

5 WE FOUND THAT CIRM HAS MODIFIED ITS GRANT
6 REVIEW PROCESS TO INCLUDE AN INTERNAL TRIAGE PROCESS
7 THAT THE COMMISSIONERS FELT ADDED ANOTHER LAYER OF
8 OPACITY TO THE LOAN PROCESS. THE LOAN REVIEW
9 PROCESS AND THE ORGANIZATION SHOULD BE STRIVING FOR
10 MORE TRANSPARENCY AS IT HAS WITH ITS GRANT PROCESS.

11 THE MAIN RECOMMENDATIONS, AND I'LL GO TO
12 THE RECOMMENDATIONS AS DIRECTED AT THIS COMMITTEE IN
13 A MINUTE, BUT THE MAIN RECOMMENDATIONS WERE TO
14 SHRINK THE BOARD TO 15 MEMBERS FROM 29 MEMBERS, ADD
15 FOUR INDEPENDENT BUSINESS PEOPLE AND SCIENTISTS TO
16 ADD INDEPENDENT VOICES, HAVE THE GOVERNOR MAKE MORE
17 OF THE APPOINTMENTS WITH CONFIRMATION BY THE SENATE
18 TO CENTRALIZE ACCOUNTABILITY, SHRINK THE TERMS TO
19 FOUR YEARS WITH ALLOWING THE EXISTING BOARD MEMBERS
20 TO SERVE OUT THEIR TERMS TO AVOID INTERRUPTION. AND
21 THESE ACTIONS, WE FELT, WOULD BRING CIRM IN LINE
22 WITH THE TRADITIONAL BOARD AND COMMISSION STRUCTURE
23 SEEN ELSEWHERE IN STATE GOVERNMENT.

24 THE COMMISSION FELT IT WAS IMPORTANT TO
25 HAVE THE BOARD APPOINT A CHAIR AS OPPOSED TO HAVING

BARRISTERS' REPORTING SERVICE

1 AN OUTSIDE GROUP NOMINATE THE CHAIR AND ALSO TO ADD
2 ACCOUNTABILITY. THE COMMISSION RECOMMENDED ENDING
3 THIS CO-CEO APPROACH WITH THE CHAIRMAN AND THE
4 PRESIDENT AND GET THE BOARD CHAIR OUT OF THE
5 DAY-TO-DAY MANAGEMENT OF THE OPERATION.

6 THE COMMISSION RECOMMENDED THAT THE BOARD
7 HAVE SUCCESSION PLANS FOR LEADERSHIP AND TRANSITION
8 PLANS FOR THE AGENCY SHOULD BOND FUNDING RUN OUT OR,
9 AS WE SAW LAST YEAR WITH THE NINE-MONTH CESSATION OF
10 THE STATE BEING ABLE TO SELL BONDS, IF IT GETS
11 CAUGHT IN A CASH FLOW CRUNCH. ALSO REMOVE THE CAP
12 ON 50 EMPLOYEES.

13 THE COMMISSION WANTS TO MAKE CLEAR THAT IT
14 FEELS THAT CIRM IS FUNCTIONING WELL TODAY DESPITE
15 THIS CUMBERSOME ORGANIZATIONAL STRUCTURE; BUT MOVING
16 FORWARD INTO THIS MORE COMPLICATED ARENA WITH THE
17 LOANS AND MOVING FROM BUILDING INTELLECTUAL AND
18 PHYSICAL INFRASTRUCTURE AND GIVING GRANTS TO SCIENCE
19 FOR BASIC SCIENCE, THAT THESE GOVERNANCE ISSUES
20 COULD BECOME MORE SERIOUS IN THE FUTURE.

21 WE FELT THAT CONCERNS ABOUT ACCOUNTABILITY
22 AND OVERSIGHT WILL NOT DIMINISH UNTIL STEPS ARE
23 TAKEN TO RESTRUCTURE THE GOVERNANCE ARRANGEMENT.

24 IN TERMS OF THE CITIZENS FINANCIAL
25 ACCOUNTABILITY COMMITTEE, WE FOUND DURING THIS STUDY

BARRISTERS' REPORTING SERVICE

1 THERE' S A GREAT DEAL OF INTEREST, NOT ONLY IN THE
2 LEGISLATURE, BUT ELSEWHERE TO HAVE GREATER OUTSIDE
3 OVERSIGHT OF A QUASI INDEPENDENT RESEARCH AGENCY
4 SUCH AS CIRM, IN PART, BECAUSE THERE' S INTEREST IN
5 SEEING HOW THIS MODEL COULD BE USED FOR OTHER
6 RESEARCH, INCLUDING ENERGY RESEARCH. THERE' S
7 CLEARLY A DEMAND FROM THE LEGISLATURE FOR CONTINUAL
8 MONITORING OF THE INSTITUTE FROM OUTSIDE GROUPS
9 PROBABLY AT A LEVEL THAT THE LEGISLATURE MIGHT NOT
10 BE ABLE TO PROVIDE.

11 WE FOUND THAT THE CFAOC STRUCTURE AS PUT
12 FORTH IN PROPOSITION 71 PROVIDES A SOLID FOUNDATION
13 AND FORUM TO BUILD ON THE COMMISSION' S WORK, YOUR
14 COMMITTEE' S PREVIOUS WORK, AS WELL AS THE WORK OF
15 THE STATE AUDITOR. WE FEEL THAT YOUR COMMITTEE IS
16 IN POSITION TO ASK THE KINDS OF QUESTIONS YOU' VE
17 BEEN ASKING TODAY THAT CAN HELP ILLUMINATE SOME OF
18 THE ISSUES THAT CIRM WILL BE FACING GOING FORWARD IN
19 A PUBLIC AND INDEPENDENT FASHION ABOUT HOW ITS --
20 FULFILLING ITS MISSION AND WHERE IT' S HEADED.

21 IN THE PAST THIS COMMITTEE HAS ALREADY
22 GONE PAST THE STATUTORY REQUIREMENT TO REVIEW THE
23 FINANCIAL AUDIT AND HAS ASKED SOME OF THESE BIG
24 QUESTIONS, AND WE ENCOURAGE YOU TO KEEP DOING THAT.
25 WE UNDERSTAND THAT THERE IS CONCERN THAT THE

BARRISTERS' REPORTING SERVICE

1 COMMITTEE DOES NOT HAVE THE STATUTORY AUTHORITY TO
2 DO THAT, AND THAT'S WHY WE MADE THE RECOMMENDATION
3 TO THE LEGISLATURE TO CLARIFY THAT AND TO ENSURE
4 THAT THIS COMMITTEE HAS THE STATUTORY AUTHORITY THAT
5 WE FEEL THAT YOU'VE ALREADY TAKEN ON YOURSELVES, BUT
6 TO MAKE SURE THAT YOU CAN GO FORWARD AND DO THE WORK
7 THAT YOU'VE BEEN DOING.

8 SO THANK YOU. ANY QUESTIONS?

9 CHAIRMAN CHIANG: QUESTIONS, COMMENTS?

10 MR. LOTT: I HAVE A QUESTION, MR.

11 CHAIRMAN. I WANT THIS QUESTION ANSWERED
12 PARTICULARLY FOR CLARIFICATION BECAUSE WE'RE ON THE
13 RECORD HERE. AT THE VERY ONSET OF YOUR REMARKS, YOU
14 SPOKE TO THE PERCEPTION OF A CONFLICT OF INTEREST,
15 INSIDER'S CLUB WHEN IT COMES TO THE SIZE AND MAKEUP
16 OF THE CURRENT BOARD. SO MY QUESTION IS PRIOR TO
17 THE PERCEPTION, DID YOU FIND ANY EVIDENCE THAT THERE
18 WAS ANY ACTUAL -- THAT THERE WAS A PROBLEM IN THOSE
19 TWO AREAS?

20 MR. DROWN: NO, WE DID NOT. AND I THINK
21 THAT'S -- YOU BROUGHT THAT UP. I'M GLAD YOU DID.
22 THAT'S NOT SOMETHING THAT WE LOOKED AT SPECIFICALLY
23 IN PART BECAUSE WE WERE LOOKING AT GOVERNANCE. WE
24 RECOGNIZE THAT THE PERCEPTION IS OUT, REMAINS OUT
25 THERE. IN THE EARLY PART OF THE GRANT-MAKING

BARRISTERS' REPORTING SERVICE

1 PROCESS, SOME 80 PERCENT OF MONEY THAT WENT OUT THE
2 DOOR WENT TO INSTITUTIONS THAT HAD REPRESENTATIVES
3 ON THE BOARD. AND AS LONG AS THAT'S THERE, PEOPLE
4 WILL RAISE THESE QUESTIONS. AND THAT'S WHY SENATORS
5 KUEHL AND RUNNER ASKED US TO LOOK AT THAT, BUT, NO,
6 WE HAD NOT FOUND THAT.

7 YOU KNOW, LOOKING AT WHO'S RECEIVED THE
8 MONEY, OKAY, IT'S THE BIG, PRESTIGIOUS RESEARCH
9 INSTITUTES IN CALIFORNIA. THAT IS HARDLY A
10 SURPRISE. AND, IN FACT, IT WOULD BE ODD IF IT WERE
11 OTHERWISE. AND SO THE QUESTION THE COMMISSION HAS,
12 IF THEY'RE NATURAL RECIPIENTS OF THIS KIND OF MONEY
13 BECAUSE OF THE TERRIFIC WORK THAT THEY'RE DOING, WHY
14 DOES THERE HAVE TO BE SUCH HEAVY REPRESENTATION OF
15 THOSE INSTITUTIONS ON THE COMMITTEE?

16 CHAIRMAN CHIANG: THANK YOU. ANY OTHER
17 QUESTIONS? WOULD CIRM LIKE TO RESPOND?

18 MR. TORRES: YES. JAMES HARRISON I'VE
19 ASKED TO RESPOND, MR. CONTROLLER.

20 CHAIRMAN CHIANG: THANK YOU.

21 MR. HARRISON: FIRST OF ALL, ON BEHALF OF
22 BOB KLEIN AND ART TORRES AND THE REST OF THE BOARD,
23 WE'D LIKE TO EXPRESS OUR THANKS, NOT ONLY TO THIS
24 COMMITTEE, BUT TO THE LITTLE HOOVER COMMISSION,
25 WHICH DID INVEST AN AWFUL LOT OF TIME AND ATTENTION

BARRISTERS' REPORTING SERVICE

1 TO REVIEWING CIRM'S OPERATIONS AND MAKING
2 RECOMMENDATIONS FOR IMPROVEMENTS IN CIRM'S
3 PERFORMANCE.

4 AND I'D LIKE TO MAKE CLEAR THAT THE BOARD
5 TOOK THESE RECOMMENDATIONS IN THE LITTLE HOOVER
6 COMMISSION'S REPORT VERY SERIOUSLY. ART TORRES, THE
7 VICE CHAIR OF THE BOARD AND THE CHAIR OF THE
8 LEGISLATIVE SUBCOMMITTEE, CONVENED TWO MEETINGS OF
9 THE LEGISLATIVE SUBCOMMITTEE TO EXAMINE THE
10 RECOMMENDATIONS. LITTLE HOOVER COMMISSION STAFF
11 PARTICIPATED AS DID MEMBERS OF THE PUBLIC AND
12 STAKEHOLDERS. THE LEGISLATIVE SUBCOMMITTEE THEN
13 MADE A SERIES OF RECOMMENDATIONS TO THE BOARD AT
14 ANOTHER PUBLIC MEETING, AGAIN WITH PARTICIPATION BY
15 LITTLE HOOVER COMMISSION STAFF, MEMBERS OF THE
16 PUBLIC, AND OTHER STAKEHOLDERS. AND THE BOARD,
17 AFTER SOME DEBATE AND EXAMINATION OF THE
18 RECOMMENDATIONS, TOOK A SERIES OF POSITIONS ON THE
19 LITTLE HOOVER COMMISSION'S RECOMMENDATIONS, WHICH
20 I'D LIKE TO BRIEFLY SUMMARIZE FOR YOU TODAY.

21 FIRST OF ALL, THERE ARE A NUMBER OF
22 RECOMMENDATIONS THE LITTLE HOOVER COMMISSION MADE
23 THAT THE BOARD ENDORSED AND, IN FACT, HAS ALREADY
24 TAKEN ACTION ON. FOR EXAMPLE, THE LITTLE HOOVER
25 COMMISSION RECOMMENDED THAT CIRM ON ITS WEB SITE

BARRISTERS' REPORTING SERVICE

1 POST THE ACTUAL VOTE TALLIES AND CONFLICTS OF
2 INTEREST ASSOCIATED WITH EACH VOTE ON EACH
3 APPLICATION. WE'VE DONE THAT GOING FORWARD, AND
4 WE'VE GONE BACK TO JANUARY 1 OF 2008 AND INCLUDED
5 THAT INFORMATION SO THAT IT'S AVAILABLE FOR
6 EVERYBODY TO REVIEW, AGAIN, IN THE HOPES THAT
7 TRANSPARENCY WILL CONVINCEN EVEN OUR SKEPTICS THAT
8 DECISIONS ARE BEING MADE ON THE MERITS, NOT BASED ON
9 CONFLICTS OF INTEREST.

10 WE HAVE ALSO TAKEN ACTION, AT THE LITTLE
11 HOOVER COMMISSION'S REQUEST, TO BEGIN ENGAGING IN
12 SUCCESSION PLANNING. OUR BOARD MEMBERS' TERMS VARY
13 FROM SIX TO EIGHT YEARS. AND AT THE END OF 2010, WE
14 WILL HAVE A TURNOVER ON BOARD MEMBERS, INCLUDING THE
15 CHAIR AND THE VICE CHAIR, AND WE ARE IN THE PROCESS
16 OF LOOKING AT SUCCESSION PLANNING FOR IT AND
17 THINKING ABOUT HOW WE CAN MAKE THIS TRANSITION AS
18 SMOOTH AS POSSIBLE INTO 2011.

19 LIKEWISE, THE LITTLE HOOVER COMMISSION
20 MADE SOME RECOMMENDATIONS WITH RESPECT TO WHAT WE
21 CALL OUR PREAPPLICATION PROCESS, WHAT MR. DROWN
22 REFERRED TO AS TRIAGE. WE ARE ALWAYS INTERESTED IN
23 IDEAS TO IMPROVE OUR PROCESSES. WE HAPPEN TO
24 BELIEVE THAT THE PREAPPLICATION PROCESS IS WORKING
25 WELL. A RECENT CALL WITH APPLICANT INSTITUTIONS

BARRISTERS' REPORTING SERVICE

1 CONFIRMS THAT THEY ALL THINK THE PROCESS IS
2 PREFERABLE TO THE ALTERNATIVES.

3 BUT THE BOARD AT THE UPCOMING MEETING, AS
4 I MENTIONED EARLIER, INTENDS TO ESTABLISH A
5 SUBCOMMITTEE TO LOOK AT THE PREAPPLICATION PROCESS
6 AND OTHER SCIENTIFIC REVIEW ISSUES TO SEE IF
7 IMPROVEMENTS CAN BE MADE IN THOSE PROCESSES.

8 AS DR. ROBSON SAID, WE'RE ALSO LOOKING AT
9 THE 50-PERSON CAP AND THE WAYS IN WHICH WE CAN
10 ADDRESS THAT LIMITATION.

11 THERE ARE A NUMBER OF RECOMMENDATIONS THAT
12 THE LITTLE HOOVER COMMISSION MADE THAT THE BOARD
13 DETERMINED THAT WERE NOT NECESSARY, ONE OF WHICH WAS
14 A RECOMMENDATION THAT THE BOARD ADD TO ITS BYLAWS A
15 PROVISION PERMITTING THE BOARD TO REMOVE ITS OWN
16 MEMBERS. UNFORTUNATELY, BECAUSE THE WAY STATE LAW
17 IS WRITTEN, WHEN YOU HAVE MEMBERS THAT SERVE A FIXED
18 TERM, THEY'RE NOT REMOVABLE BY THE APPOINTING
19 AUTHORITY, AND THE BOARD DOESN'T HAVE THE POWER TO
20 REMOVE ITS MEMBERS. HOWEVER, THE BOARD DOES HAVE
21 THE POWER TO RECOMMEND THAT THE ATTORNEY GENERAL
22 COMMENCE A QUO WARRANTO ACTION TO REMOVE MEMBERS FOR
23 CAUSE IF THEY BELIEVE THAT A BOARD MEMBER IS SIMPLY
24 NOT PERFORMING. AND, OF COURSE, THERE'S ALWAYS THE
25 POWER OF PERSUASION.

BARRISTERS' REPORTING SERVICE

1 SO FOR THOSE REASONS, BECAUSE OF THE
2 STRICTURES OF THE LAW, THE BOARD DIDN' T FEEL IT WAS
3 AUTHORIZED TO INCLUDE A PROVISION IN THE BYLAWS THAT
4 WOULD TRUMP THE AUTHORITY OF THE APPOINTING POWER
5 AND GIVE THE BOARD THE POWER TO REMOVE ITS OWN
6 MEMBERS.

7 LIKewise, THE LITTLE HOOVER COMMISSION
8 RECOMMENDED THAT THE BOARD CONSIDER ELIMINATING THE
9 15 SCIENTIFIC MEMBER CAP OF THE GRANTS WORKING
10 GROUP. THE GRANTS WORKING GROUP IS COMPRISED OF 15
11 OUT-OF-STATE SCIENTISTS, AS DR. ROBSON MENTIONED, AS
12 WELL AS SEVEN PATIENT ADVOCATES. THE LITTLE HOOVER
13 COMMISSION RECOMMENDED THAT WE CONSIDER LIFTING THAT
14 CAP SO THAT MORE OUT-OF-STATE SCIENTISTS COULD
15 PARTICIPATE IN OUR REVIEW. IN FACT, THE WAY THE
16 PEER REVIEW SYSTEM IS STRUCTURED, THAT'S SIMPLY NOT
17 NECESSARY BECAUSE WE UTILIZE MULTIPLE SCIENTISTS.
18 THEY'RE JUST LIMITED TO 15 PER EACH REVIEW. AND
19 BECAUSE OF THE VOLUME AND THE WORK ENTAILED WITH
20 REVIEWING APPLICATIONS, WE DON'T BELIEVE THAT ADDING
21 ADDITIONAL SCIENTIFIC MEMBERS TO THE PEER REVIEW
22 GROUP WOULD IMPROVE OUR PERFORMANCE AT ALL. SO WE
23 DON'T THINK THAT CHANGE IS NECESSARY.

24 FINALLY, THE BOARD ALSO BELIEVES THAT THE
25 RECOMMENDATION TO EXPAND THE JURISDICTION OF THIS

BARRISTERS' REPORTING SERVICE

1 COMMITTEE TO INCLUDE PERFORMANCE REVIEWS IS NOT
2 NECESSARY FOR SEVERAL REASONS. ONE, AS MR. DROWN
3 POINTED OUT, CIRM HAS ALSO -- HAS ALREADY BEEN
4 SUBJECT TO VIGOROUS EXAMINATION FROM THE BUREAU OF
5 STATE AUDITS, FROM THE CONTROLLER'S OFFICE, AND FROM
6 THE LITTLE HOOVER COMMISSION. AND AS DR. ROBSON
7 MENTIONED, THE SCIENTIFIC STRATEGIC PLAN CALLS FOR
8 THE FORMATION OF A GROUP OF EXTERNAL EMINENT
9 SCIENTISTS TO REVIEW CIRM'S PROGRESS BASED THE GOALS
10 THAT ARE SET OUT IN THE STRATEGIC PLAN SO THAT THERE
11 CAN BE A FULL VETTING OF THE AGENCY'S PERFORMANCE IN
12 ACCOMPLISHING THE GOALS THAT IT SET OUT TO ACHIEVE.

13 SO FOR THAT REASON, THE BOARD DETERMINED
14 THAT IT DID NOT BELIEVE THAT EXPANDING THIS
15 COMMITTEE'S JURISDICTION WAS NECESSARY.

16 FINALLY, LET ME ADDRESS QUICKLY THE SORT
17 OF BROADER STRUCTURAL CHANGES THAT MR. DROWN
18 DESCRIBED. THOSE CHANGES INVOLVED REDUCING THE SIZE
19 OF THE BOARD FROM 29 MEMBERS TO 15 MEMBERS,
20 TRANSFERRING APPOINTMENT AUTHORITY, WHICH CURRENTLY
21 RESIDES IN THE CONTROLLER, THE TREASURER, THE
22 GOVERNOR, THE LIEUTENANT GOVERNOR, THE SPEAKER, AND
23 THE PRESIDENT PRO TEM OF THE SENATE, PRIMARILY TO
24 THE GOVERNOR, WHO WOULD BE RESPONSIBLE FOR
25 APPOINTING 11 OUT OF THE 15 MEMBERS.

BARRISTERS' REPORTING SERVICE

1 THE LITTLE HOOVER COMMISSION ALSO
2 RECOMMENDED THAT BOARD MEMBERS' TERMS BE REDUCED
3 FROM EIGHT AND SIX YEARS TO FOUR YEARS, AND IT
4 RECOMMENDED ELIMINATING THE CHAIR'S STATUTORY
5 RESPONSIBILITIES AND INSTEAD VESTING THOSE
6 RESPONSIBILITIES IN THE PRESIDENT.

7 LET ME JUST GIVE YOU A BRIEF OVERVIEW OF
8 THE BOARD'S DETERMINATION REGARDING THOSE
9 RECOMMENDATIONS AND THEN BRIEFLY DESCRIBE THE POLICY
10 ISSUES INVOLVED.

11 FIRST OF ALL, AS MANY OF YOU MAY KNOW, THE
12 CALIFORNIA CONSTITUTION DOES NOT PERMIT THE
13 LEGISLATURE TO AMEND INITIATIVES UNLESS THE
14 INITIATIVE EXPRESSLY PERMITS AMENDMENT. MANY
15 INITIATIVES DON'T PERMIT THE LEGISLATURE TO CHANGE
16 THEM AT ALL. PROP 71 INCLUDED A PROVISION TO PERMIT
17 LEGISLATIVE AMENDMENT, BUT RESTRICTED IT TO THOSE
18 AMENDMENTS THAT WERE NECESSARY TO ENHANCE THE
19 AGENCY'S ABILITY TO CARRY OUT ITS GRANT AND LOAN
20 PROGRAMS.

21 THE CALIFORNIA SUPREME COURT, IN
22 RECOGNITION OF THE PRECIOUS POWER OF INITIATIVE, HAS
23 VERY STRICTLY CONSTRUED THE LEGISLATURE'S ABILITY TO
24 AMEND BALLOT MEASURES. IN FACT, JUST LAST WEEK THE
25 CALIFORNIA SUPREME COURT ISSUED A DECISION IN WHICH

BARRISTERS' REPORTING SERVICE

1 IT REJECTED AS AN IMPERMISSIBLE AMENDMENT OF AN
2 INITIATIVE SOME LEGISLATIVE CHANGES TO THE MEDICAL
3 MARIJUANA INITIATIVE. AND THAT'S, AGAIN, DUE TO THE
4 DEFERENCE THAT'S TYPICALLY ACCORDED BY THE COURTS TO
5 THE POWER OF INITIATIVE.

6 BASED ON THE STRUCTURAL CHANGES THAT THE
7 LITTLE HOOVER COMMISSION HAS PROPOSED, THE BOARD,
8 BASED ON ADVICE OF COUNSEL, DETERMINED THAT THOSE
9 WERE THE TYPES OF CHANGES THAT WOULD REQUIRE ANOTHER
10 VOTE OF THE PEOPLE AND COULD NOT BE ACCOMPLISHED BY
11 THE LEGISLATURE. AND LET ME BRIEFLY EXPLAIN WHY,
12 BECAUSE IT'S PREMISED ON THE FACT THAT THE PROPOSED
13 CHANGES WOULDN'T FURTHER THE INTENT OF THE VOTERS
14 HERE.

15 THE PRIMARY DESIGN OF PROP 71 WAS THE
16 CREATION OF A LARGE AND DIVERSE BOARD. TWENTY-NINE
17 MEMBERS, WHICH IS NOT DISSIMILAR TO THE BOARD OF
18 REGENTS, WHICH IS 26 MEMBERS, AND THE JUDICIAL
19 COUNCIL, WHICH IS 28 MEMBERS, THE NOTION BEHIND THAT
20 WAS THAT FOR AN ENTERPRISE AS COMPLEX AS THIS, TO
21 HAVE THE DIVERSITY OF EXPERTISE FROM REPRESENTATIVES
22 FROM THE BIOTECH SECTOR TO PATIENT ADVOCATES TO THE
23 DEANS OF MEDICAL SCHOOLS TO THE LEADERS OF
24 NON-PROFIT INSTITUTIONS TO BRING THAT VARIETY OF
25 EXPERTISE TO THIS ENDEAVOR WAS EXTREMELY IMPORTANT.

BARRISTERS' REPORTING SERVICE

1 AND THAT REMAINS TRUE TODAY, NOTWITHSTANDING THE
2 PASSAGE OF TIME.

3 BUT I THINK WHAT WE HAVE ALSO LEARNED
4 THROUGH THE PROCESS, AND IF YOU ATTEND A BOARD
5 MEETING, I THINK YOU WILL SEE THIS, AS THE STAFF OF
6 THE LITTLE HOOVER COMMISSION HAVE, IT'S A VERY
7 VIGOROUS BOARD. THE VARIETY OF OPINIONS THAT ARISES
8 FROM A 29-MEMBER BOARD HAS REALLY ENRICHED THE
9 DEBATE, AND I THINK THE CONSENSUS IS THAT IT HAS
10 IMPROVED THE OUTCOMES OF THE BOARD'S DELIBERATIONS.
11 FOR THAT REASON, WE BELIEVE THAT A CHANGE THAT WOULD
12 REDUCE THE SIZE OF THE BOARD FROM 29 TO 15 WOULD BE
13 CONTRARY TO WHAT THE VOTERS INTENDED IN DESIGNING
14 THE BOARD AS PROP 71 DID IT.

15 LIKewise, WITH RESPECT TO THE TERMS OF THE
16 MEMBERS, YOU KNOW, ONE OF THE THINGS THAT DID DRIVE
17 PROP 71, AS STUART DROWN MENTIONED, WAS THE ONGOING
18 DEBATE IN WASHINGTON AND THE UNWILLINGNESS OF THE
19 THEN ADMINISTRATION TO FUND HUMAN EMBRYONIC STEM
20 CELL RESEARCH. BUT I THINK WE ALL RECOGNIZE THAT
21 ONE OF THE THINGS THAT MEDICAL RESEARCH NEEDS IN
22 ORDER TO SUCCEED IS STABILITY AND STABILITY OF
23 FUNDING. BY PROVIDING TERMS OF SIX AND EIGHT YEARS
24 RATHER THAN FOUR YEARS, THE DESIGN WAS TO TRY TO
25 ENSURE THAT STABILITY. AND THE NEED FOR STABILITY

BARRISTERS' REPORTING SERVICE

1 REMAINS TODAY.

2 SO FOR THAT REASON THE BOARD ALSO FELT
3 THAT THAT PROVISION OR PROPOSAL, RATHER, WOULD NOT
4 FURTHER THE PURPOSES OF THE GRANT AND LOAN PROGRAMS.

5 AND THEN, FINALLY, THE PROPOSAL TO
6 ELIMINATE THE CHAIR'S STATUTORY RESPONSIBILITIES AND
7 INSTEAD TRANSFER THEM TO THE PRESIDENT. IF YOU READ
8 PROPOSITION 71, THERE ARE TWO PRIMARY COMPONENTS.
9 ONE IS THE FINANCIAL AND THE OTHER IS THE
10 SCIENTIFIC. THE PRESIDENT'S JOB DUTIES AS SET FORTH
11 IN THE INITIATIVE OBVIOUSLY FOCUS ON THE SCIENTIFIC
12 MISSION OF THE AGENCY. THE CHAIR'S DUTIES FOCUS
13 VERY SPECIFICALLY ON THE FINANCIAL ASPECTS OF THE
14 AGENCY'S OPERATIONS. FINDING A PERSON WHO POSSESSES
15 BOTH THE SCIENTIFIC ACUMEN AND THE FINANCIAL ACUMEN
16 AND THE FAMILIARITY WITH THE STATE'S BOND PROCESSES
17 WOULD BE VERY DIFFICULT.

18 SO THE INITIATIVE WAS DESIGNED TO PUT
19 THOSE RESPONSIBILITIES IN THE HANDS OF TWO DIFFERENT
20 PEOPLE WHO COULD REALLY FOCUS THEIR EXPERTISE ON
21 THOSE ISSUES. SO FOR THOSE REASONS, THE BOARD
22 DETERMINED THAT REALLOCATING THE RESPONSIBILITIES OF
23 THE CHAIR TO THE PRESIDENT WOULD NOT FURTHER THE
24 PURPOSES OF THE AGENCY.

25 SO THAT'S A BRIEF SUMMARY OF THE BOARD'S

BARRISTERS' REPORTING SERVICE

1 DETERMINATIONS REGARDING THE LITTLE HOOVER
2 COMMISSION'S RECOMMENDATIONS. I WOULD BE HAPPY TO
3 ANSWER ANY QUESTIONS YOU HAVE.

4 CHAIRMAN CHIANG: FURTHER QUESTIONS?
5 COMMENTS.

6 MR. LOTT: JUST ONE. REFRESH MY MEMORY.
7 WHAT DOES PROP 71 SAY WITH REGARD TO SERVING
8 SUCCESSIVE TERMS?

9 MR. HARRISON: PROP 71 PERMITS SUCCESSIVE
10 TERMS, BUT LIMITED TO TWO. AND AS IS TYPICAL WITH
11 MANY BOARDS AND COMMISSIONS, MEMBERS HOLD OVER UNTIL
12 THEIR SUCCESSORS QUALIFY.

13 CHAIRMAN CHIANG: IS THERE PUBLIC COMMENT?
14 I'D LIKE TO MAKE COMMENT. FIRST, I WANT TO
15 CONGRATULATE THE LITTLE HOOVER COMMISSION ON AN
16 OVERALL EXCELLENT REVIEW. THE CFAC'S STATUTORY
17 AUTHORITY IS LIMITED TO REVIEWING THE ANNUAL
18 FINANCIAL AUDIT, REVIEWING THE STATE CONTROLLER'S
19 REPORT, AND EVALUATION OF THE ANNUAL FINANCIAL
20 AUDIT, REVIEWING CIRM'S FINANCIAL PRACTICES, AND
21 PROVIDING RECOMMENDATION REGARDING CIRM'S FINANCIAL
22 PRACTICES AND PERFORMANCE.

23 I APPRECIATE THE LITTLE HOOVER
24 COMMISSION'S STATEMENT OFFERED EARLIER IN SUPPORT OF
25 EXPANDING OUR ABILITIES TO FULFILL GREATER

BARRISTERS' REPORTING SERVICE

1 RESPONSIBILITIES TO MAKE SURE THAT WE PROVIDE STRONG
2 OVERSIGHT. I, IN SPECIFIC, WOULD LIKE TO REVIEW
3 CIRM'S PROGRAMMATIC AND STRATEGIC PERFORMANCE. I
4 THINK OUR OVERSIGHT, OUR WILLINGNESS TO PARTICIPATE
5 TO STRENGTHEN THE PROGRESS MADE BY CIRM IS VERY
6 IMPORTANT AS WE CONTINUE TO GROW AND DEVELOP IN THIS
7 FIELD, WHICH I THINK HAS ENORMOUS IMPORTANCE FOR THE
8 STATE OF CALIFORNIA.

9 UNDERSTANDING THE LIMITATIONS, I JUST WANT
10 TO EXPLAIN BECAUSE NOTHING IN PROP 71 PROVIDES THE
11 CFAOC WITH THE AUTHORITY TO CONDUCT ITS OWN
12 INDEPENDENT REVIEW. MY OFFICE, INSTEAD OF CFAOC,
13 CONDUCTED AN AUDIT OF CIRM'S CONFLICT OF INTEREST
14 POLICIES, GRANT ADMINISTRATION, AND ADMINISTRATIVE
15 EXPENSES AND EXPENDITURES, WHICH WAS PUBLISHED IN
16 2008.

17 I HAVE BEEN ADVISED BY THE ATTORNEY
18 GENERAL'S OFFICE THAT THE CFAOC CAN TAKE ACTION TO
19 SUPPORT RECOMMENDATIONS OF THE LITTLE HOOVER
20 COMMISSION REPORT TO THE EXTENT THAT THE CFAOC
21 BELIEVES THAT THE RECOMMENDATIONS OF THE COMMISSION,
22 IF ADOPTED, COULD AFFECT CIRM'S FINANCIAL PRACTICES
23 AND PERFORMANCES. I WOULD, THEREFORE, RECOMMEND
24 THAT THE CFAOC ENDORSE THE FOLLOWING LITTLE HOOVER
25 COMMISSION RECOMMENDATIONS AND FORMALLY ADVISE CIRM

BARRISTERS' REPORTING SERVICE

1 THAT THEY IMPLEMENT THOSE PROPOSED RECOMMENDATIONS
2 THAT THEY NEED NO LEGISLATIVE AUTHORITY AND SUPPORT
3 LEGISLATION WHERE STATUTORY CHANGES ARE REQUIRED.

4 THEY WOULD BE THE FOLLOWING: THE
5 LEGISLATURE AND CIRM SHOULD IMPROVE EFFICIENCY AND
6 TRANSPARENCY FOR DISTRIBUTING GRANTS AND LOAN FUNDS.
7 I THINK THAT'S VERY CRITICAL AS POINTED OUT. CIRM
8 HAS BECOME VERY OPERATIONAL. IT'S BEEN VERY
9 SUCCESSFUL. AND TO PRESERVE THE INTEGRITY AND THE
10 STRENGTH OF THE RESOLVE IN THE PUBLIC, I THINK IT'S
11 IMPORTANT THAT WE LOOK TO THE FUTURE ABOUT
12 TRANSPARENCY IN THIS REGARD.

13 THE CFAOC AND CIRM GOVERNING BOARDS SHOULD
14 USE THEIR AUTHORITY TO ENHANCE OVERSIGHT AND THAT
15 THE CIRM GOVERNING BOARD SHOULD BEGIN PLANNING FOR
16 CIRM'S FUTURE THROUGH AN OPEN PROCESS. THERE'S MUCH
17 WORK TO BE DONE. AND ONCE AGAIN, I WANTED TO MAKE
18 SURE THAT WE ENSURE THAT PUBLIC PARTICIPATION TO ITS
19 FULLEST EXTENT IS AVAILABLE.

20 MR. LOTT: MOVE YOUR RECOMMENDATIONS, MR.
21 CHAIR.

22 CHAIRMAN CHIANG: SO WE HAVE A MOTION. IS
23 THERE A SECOND?

24 DR. LIPSON: SECOND.

25 CHAIRMAN CHIANG: WE HAVE A SECOND. IS

BARRISTERS' REPORTING SERVICE

1 THERE QUESTIONS OR COMMENTS? NO. THEN CAN WE TAKE
2 ROLL, PLEASE.

3 MS. HOLTON-HODSON: LI PSON.

4 DR. LI PSON: AYE.

5 MS. HOLTON-HODSON: LOTT.

6 MR. LOTT: AYE.

7 MS. HOLTON-HODSON: SEDANA.

8 DR. SADANA: YEAH.

9 MS. HOLTON-HODSON: HOLLANDER.

10 DR. HOLLANDER: AYE.

11 MS. HOLTON-HODSON: AND CHI ANG.

12 CHAIRMAN CHI ANG: AYE. THE MOTION
13 PASSES.

14 THE NEXT ITEM IS THE POSTING OF STATEMENT
15 OF ECONOMIC INTEREST. THE PUBLIC IS NATURALLY VERY
16 CONCERNED ABOUT GOVERNMENT TRANSPARENCY, ESPECIALLY
17 WHEN IT COMES TO SPENDING PUBLIC DOLLARS AND
18 POTENTIAL CONFLICTS OF INTEREST. TO BE AS
19 TRANSPARENT AS POSSIBLE, I HAVE ANNOUNCED THAT MY
20 OFFICE WILL POST ON OUR WEB SITE THE STATEMENT OF
21 ECONOMIC INTEREST, FORM 700, TRAVEL EXPENSE FORMS
22 FOR ALL PERSONS IN MY OFFICE, INCLUDING MYSELF, AND
23 I'VE DONE THAT SINCE MY LATER YEARS AT THE BOARD OF
24 EQUALIZATION, WHICH PEOPLE ARE REQUIRED TO FILE. I
25 WOULD ALSO LIKE TO REQUIRE THAT CFAOC MEMBERS'

BARRISTERS' REPORTING SERVICE

1 STATEMENT OF ECONOMIC INTEREST AND TRAVEL EXPENSES
2 BE POSTED ON THE CFAOC AND CIRM WEB PAGES. I WOULD
3 ALSO RECOMMEND THAT CIRM DO THE SAME FOR ICOC
4 MEMBERS AND ITS EXECUTIVE STAFF.

5 DO I HAVE A MOTION?

6 DR. LIPSON: AYE. SO MOVED.

7 CHAIRMAN CHIANG: I HAVE A MOTION.

8 MR. LOTT: SECOND.

9 CHAIRMAN CHIANG: I HAVE A SECOND. ANY
10 QUESTIONS OR COMMENTS?

11 DR. HOLLANDER: YES, I DO. THERE ARE SOME
12 PRACTICAL DIFFICULTIES SOMETIMES IN DOING SO. AND
13 SINCE WE ARE VOLUNTARILY PARTICIPANTS IN THIS EFFORT
14 AND WE'RE NOT GETTING PAID BY THE STATE, I THINK
15 THAT POSTING EVERY BIT OF INFORMATION ON THE
16 WORLDWIDE WEB IS NOT NECESSARILY HELPFUL AND COULD
17 BE DETRIMENTAL.

18 CHAIRMAN CHIANG: OKAY. THANK YOU. ANY
19 OTHER QUESTIONS OR COMMENTS?

20 MR. LOTT: IT'S AVAILABLE NOW TO THE
21 PUBLIC, RIGHT?

22 MS. HOLTON-HODSON: CORRECT.

23 CHAIRMAN CHIANG: YEAH.

24 MS. HOLTON-HODSON: THROUGH THE FAIR
25 POLITICAL PRACTICES COMMISSION.

BARRISTERS' REPORTING SERVICE

1 DR. HOLLANDER: THEY ARE. IF I MAY
2 COMMENT, THERE'S A DIFFERENCE BETWEEN INFORMATION
3 BEING AVAILABLE VERSUS POSTED ON THE WORLDWIDE WEB.
4 WITH SEARCH ENGINES PEOPLE WHO HAVE NO INTEREST IN
5 CIRM CAN GET A LOT OF INFORMATION FOR OTHER REASONS
6 OTHER THAN CIRM OUT OF WORLDWIDE WEB POSTING. SO
7 THERE IS A BIG DIFFERENCE, AND I DON'T SEE THE
8 BENEFIT TO CIRM NECESSARILY OF POSTING IT ON THE
9 WEB.

10 MR. LOTT: MR. CHAIRMAN, I'D JUST LIKE TO
11 KNOW. WE'RE DEMANDING A GREAT DEAL OF TRANSPARENCY
12 ON THE PART OF CIRM. HOW CAN WE NOT DO THE SAME FOR
13 OURSELVES?

14 CHAIRMAN CHIANG: OKAY. ANY OTHER
15 COMMENTS OR QUESTIONS? VERY GOOD. WE HAVE A MOTION
16 AND SECOND. PLEASE TAKE ROLL.

17 MS. HOLTON-HODSON: LIPSON.

18 DR. LIPSON: AYE.

19 MS. HOLTON-HODSON: LOTT.

20 MR. LOTT: AYE.

21 MS. HOLTON-HODSON: SEDANA.

22 DR. SADANA: AYE.

23 MS. HOLTON-HODSON: HOLLANDER.

24 DR. HOLLANDER: NO.

25 MS. HOLTON-HODSON: CHIANG.

BARRISTERS' REPORTING SERVICE

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CHAIRMAN CHIANG: AYE. MOTION PASSES.
SO THE NEXT ITEM IS THE CONSIDERATION OF
THE DRAFT AGENDA FOR THE NEXT MEETING. DOES ANY
MEMBER WANT TO SPEAK TO THAT? DID THEY WANT TO ADD
SOMETHING IN PARTICULAR FOR THE NEXT MEETING? THANK
YOU.

AND THEN LAST, DOES ANY MEMBER OF THE
PUBLIC WISH TO MAKE COMMENT? OKAY. WITH THAT BEING
SAID, THANK EVERYBODY FOR JOINING US. THIS MEETING
IS ADJOURNED.

(THE MEETING WAS THEN ADJOURNED AT
12:50 P.M.)

BARRISTERS' REPORTING SERVICE

REPORTER' S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE PROCEEDINGS BEFORE THE CITIZEN'S FINANCIAL ACCOUNTABILITY OVERSIGHT COMMITTEE IN THE MATTER OF ITS REGULAR MEETING HELD AT THE LOCATION INDICATED BELOW

300 S. SPRING STREET
1ST FLOOR AUDITORIUM
LOS ANGELES, CALIFORNIA
ON
TUESDAY, JANUARY 26, 2010

WAS HELD AS HEREIN APPEARS AND THAT THIS IS THE ORIGINAL TRANSCRIPT THEREOF AND THAT THE STATEMENTS THAT APPEAR IN THIS TRANSCRIPT WERE DIGITALLY RECORDED AND SUBSEQUENTLY TRANSCRIBED BY ME. I ALSO CERTIFY THAT THIS TRANSCRIPT IS A TRUE AND ACCURATE RECORD OF THE PROCEEDING.



BETH C. DRAIN, CSR 7152
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